

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. **000006260-96-00022**

([HTML Version](#) on secdatabase.com)

FILER

ANACOMP INC

CIK: **6260** | IRS No.: **351144230** | State of Incorpor.: **IN** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **001-08328** | Film No.: **96688238**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended September 30, 1996
Commission File Number 1-8328 ANACOMP, INC.
(Exact name of registrant as specified in its charter)

Indiana 35-1144230
(State of incorporation) (IRS Employer Identification No.)

11550 North Meridian Street, P.O. Box 40888
Indianapolis, Indiana 46240
(Address of principal executive offices) (ZipCode)

Registrant's telephone number, including area code: 317-844-9666

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, \$.01 par value
Common Stock Warrants

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 12, 13 or 15(d) of the Securities and Exchange Act of 1934 subsequent to the distribution of Securities under a plan confirmed by a court. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates of the registrant as of December 16, 1996: Common stock par value \$.01 per share, \$111,318,708. Common Stock outstanding as of December 16, 1996 was 13,700,764 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement relating to the registrant's 1997 Annual Meeting of Shareholders to be held on February 3, 1997, have been incorporated by reference in Part III of this Annual Report on Form 10-K.

PART I
ITEM 1. BUSINESS

Overview

Anacomp, Inc. ("Anacomp" or the "Company") is one of the world's leading providers of products and services used to manage corporate information throughout its life cycle. The Company serves more than 15,000 customers in 65 countries, maintaining significant market positions in micrographics products and services, magnetic media manufacturing, digital output services, and related information delivery technologies.

One of Anacomp's largest businesses is output services. In the United States, the Company is the second largest provider of Computer Output to Microfilm ("COM") output services, the high-speed conversion of digital information to microfilm or microfiche. Micrographics is widely used throughout the world as a long-term, low-cost medium for storing large amounts of information.

Although still a small percentage of Anacom's revenues, the Company has quickly become a significant provider of digital output services since entering this market in fiscal 1995, ranking as the third largest U.S. provider of Compact Disc-Recordable ("CD-R") output services. Available throughout the United States and at an increasing number of the Company's international locations, CD services provide Anacom's customers with a high-capacity storage and delivery solution for applications requiring frequent and high-speed information retrieval.

Anacom recently introduced archival services and print/mail services, both of which it views as highly complementary to its existing output services. The Company offers archival services, the physical storage of microfilmed records, at selected service centers in the United States and plans to open several new archival vaults in fiscal 1997. The Company intends to expand this business to include the off-site storage of multiple-media formats and, ultimately, to develop an electronic storage and distribution service. Anacom believes that print/mail services, which involve the output and mailing of printed information for clients, represent a promising opportunity for both the Company and its customers. The Company intends to roll-out this service to a broad portion of its U.S. customer base in fiscal 1997.

Complementing Anacom's output services are the development and sale of micrographic and digital systems for customers who desire in-house information management solutions. The Company and its subsidiaries have introduced virtually every major advance in the COM industry, including the XFP 2000, the world's leading COM system, and Advanced Function Indexing, a sophisticated method to index and retrieve large volume COM applications. Recently, Anacom has increasingly invested in electronic management products to provide customers with COLD (Computer Output to Laserdisk), imaging, workflow, and document management solutions.

The Company Also Provides Maintenance And Professional Services To Its Customers Worldwide To Facilitate The Installation, Management, Maintenance, And Competitive Use Of Information Delivery Solutions. Services Include System Integration, Technical Support, Document Conversion, And Software And Hardware Maintenance.

Anacom derives a significant portion of its revenues and profits from the sale of micrographics supplies, as well as magnetic media products. The Company has the world's largest installed base of COM systems (approximately 55% of those in use), which enables it to generate recurring revenue by providing related consumable supplies, a significant portion of which are proprietary. Anacom also is a major manufacturer and distributor of computer tape products used by data processing operations, including 3480/ 3490E tape cartridges, open reel tape, and back-up tape cartridges such as quarter-inch, 4mm, and 8mm.

In general, the Company's customers are mid-sized and large organizations whose businesses rely on efficient, reliable, and ongoing access to significant amounts of information. The Company's clients include leaders in the finance, insurance, and retail industries, businesses that tend to process and maintain relatively large amounts of customer and legal documentation. In addition, the Company's 44 output service facilities in the United States, along with multiple locations abroad, have made Anacom an attractive supplier for customers requiring products and services at multiple locations.

The Company believes it has a loyal following among businesses in the United States and abroad, and provides a solid foundation for continued technological and market innovation.

Recent Developments

On June 4, 1996, the Company emerged from bankruptcy proceedings under its Third Amended Joint Plan of Reorganization (the "Reorganization"). On such date, the Company canceled its existing secured debt and subordinated debt, including 15% Senior Subordinated Notes, 13.875% Convertible Subordinated Debentures and 9% Convertible Subordinated Debentures, and its equity securities, including common stock, common stock purchase rights, preferred stock and warrants, and distributed to its creditors approximately \$22 million in cash, \$112.2 million principal amount of its 11-5/8% Senior Secured Notes due 1999 (the "Senior Secured Notes"), \$160 million principal amount of its 13% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes"), 10 million shares of new common stock, par value \$.01 per share (the "New Common Stock"), and warrants to purchase 362,694 shares of New Common Stock at a price of \$12.23 per share for a period of five years from June 4, 1996. The Plan of Reorganization resulted in a reduction of approximately \$173 million in principal and accrued interest on the Company's debt obligations and in liquidation amount and accrued dividends on its preferred stock. The resulting capital structure reduced the Company's interest expense by approximately \$30 million per year.

The process began January 5, 1996, when Anacom filed a Prenegotiated Plan of Reorganization with the U.S. Bankruptcy Court in Delaware under Chapter 11 of

the U.S. Bankruptcy Code. The Company was in default under substantially all of its debt agreements as a result of its failure to make \$89.7 million of principal payments scheduled for April 26, 1995 and October 26, 1995 on the senior secured credit facilities (including \$60 million relating to the revolving loan agreement which expired on October 26, 1995), \$11.4 million of principal and interest payments on the 9% Convertible Subordinated Debentures which were due January 15, 1996, \$34.1 million of interest payments scheduled for May 1, 1995 and November 1, 1995 on its Senior Subordinated Notes, and \$3.2 million of interest payments scheduled for July 15, 1995 and January 15, 1996 on the 13.875% Subordinated Debentures, as well as certain financial covenant violations, and the cross-default provisions of the other debt agreements.

Organization and Operations

Anacomp currently employs over 2,600 people at multiple facilities and offices in the United States, Canada, Brazil, Japan, and Europe, including 44 output service centers in the United States.

Domestically, Anacomp markets its products and services through two separate sales forces based in offices located throughout the country. The U.S. Group, which employs approximately 120 salespeople, is comprised of ten regions responsible for sales of micrographics and CD-R services; COM systems and related maintenance services, supplies, and equipment; digital hardware and software solutions; and sales of magnetics products to end-users. The Magnetics Group sales organization employs 21 salespeople and is responsible for sales of magnetics products, primarily to dealers and distributors.

Outside of the United States, the Company maintains direct sales forces in most of those countries where it has subsidiaries, and a network of dealers and distributors is used to reach the market in other countries. In addition to relationships with end-users and with dealers and distributors worldwide, the Company also manufactures products as an Original Equipment Manufacturer ("OEM") to companies who re-label and sell Anacomp's products under their respective brand names.

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The Company provides round-the-clock maintenance and professional services through over 600 highly trained service employees operating in various countries worldwide. In the United States, over 400 field service engineers and managers provide geographic coverage through ten districts. Internationally, maintenance services are provided either by Anacomp employees operating in the Company's foreign subsidiaries or by employees of dealers and distributors.

Anacomp maintains its corporate headquarters in Carmel, Indiana, and has corporate and administrative offices in Atlanta, Georgia and Poway (San Diego), California. The Company operates three manufacturing facilities, all of which have received international recognition for quality standards by earning International Standards Organization ("ISO") 9002 certification. All of Anacomp's micrographics manufacturing and software development is conducted at the Company's Poway facility. The Company's magnetics manufacturing facilities are located in Graham, Texas and Brynmawr, Wales.

Engineering, Research and Development

Anacomp's engineering costs, including research and development, were significantly reduced in fiscal 1996, primarily as a result of the substantial completion of the IBM and Xerox print stream projects for the XFP 2000 COM system. However, the Company continues to make investments in projects that enhance the XFP 2000 and the overall value of COM, including a high-speed bitmapping initiative and the continuing development of DragonCOM, a version of the XFP 2000 for the Asian market that is capable of processing double-byte ideographic languages.

The Company also launched an engineering initiative in fiscal 1996 known as "Pegasys" to automate Anacomp's 44 output service centers in the United States and to develop a state-of-the-art data transmission capability for these centers. Anacomp believes that better automation of the service centers will maximize processing capacity, increase productivity, and reduce operating costs. An improved transmission capability will enable many more of Anacomp's service customers to send their data to the Company electronically, eliminating the need for tape handling (on the part of both the customer and the Company's service center staff) as well as eliminating tape pick-up and delivery. In addition, data transmission will facilitate the Company's plan to consolidate selected service centers in order to increase efficiencies and reduce operating costs.

Anacomp expects its current limited research and development relating to advanced digital technologies to grow going forward as the Company introduces new digital products and services. These costs will be tempered, however, by the Company's plan to acquire the rights to core technologies whenever possible. Anacomp's focus in the digital area will be on the development of customer

applications, where the Company believes it can add value.

The Company also owns various patents and licenses covering aspects of its product line and its production processes, as well as proprietary trade secret information relating to its products and services. While Anacomp believes that the protection provided by these patents, licenses, and proprietary information is important, the Company also believes that equally significant is the knowledge and experience of its employees, and their abilities to develop and market the Company's products and services and to provide a value-added benefit to customers.

Raw Materials and Suppliers

Polyester is the principal raw material used in the manufacture of microfilm and magnetic media products, two of Anacomp's primary businesses. A worldwide shortage of polyester has abated recently, and supply and demand are more in balance now. As a result, Anacomp has seen its cost of polyester for magnetic media products decrease recently -- reversing a previous trend of increasing costs.

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SKC America, Inc. and SKC Limited (collectively "SKC") is Anacomp's sole supplier of duplicate microfilm, the result of a ten-year supply agreement between the companies entered into in 1993 as part of SKC's purchase of Anacomp's Sunnyvale, California duplicate microfilm facilities. SKC's duplicate film production is dedicated exclusively to Anacomp, and SKC also provides Anacomp with polyester for a large percentage of its magnetic media products. In connection with the supply agreement, SKC also provided Anacomp with a \$25 million trade credit facility, secured by up to \$10 million of products sold to Anacomp by SKC. In addition, under an amendment to the supply agreement executed in 1996, Anacomp agreed to certain price increases, retroactive to 1994, and agreed to make the following deferred payments to SKC related to the retroactive price increases: \$400,000 in 1997; \$600,000 in 1998; \$800,000 in 1999; \$800,000 in 2000; and \$1,000,000 in 2001.

Anacomp's XFP 2000 COM system utilizes a proprietary, patented original film canister, and the original film used in that canister is supplied exclusively by the Eastman Kodak Company ("Kodak"). Anacomp also purchases from Kodak substantially all of its requirements for original microfilm for earlier-generation COM recorders manufactured by Anacomp and others, although Anacomp has from time to time purchased original microfilm utilized in those older COM recorders from other suppliers.

Market Strategy

The Company's market strategy adheres to a paradigm known as the Information Delivery Life Cycle, which describes the relationship between the age of information, the frequency and speed of access, and the type of media upon which the information is stored. In general, as information ages, the frequency with which retrieval is required and the speed with which it needs to be delivered declines. To achieve the greatest degree of cost-effectiveness and efficiency, organizations migrate this information across several different delivery systems over the life of the information.

[GRAPHIC OMITTED]

Newly created information is generally the most frequently accessed, requiring a high-speed storage media such as magnetic disk ("DASD"). As the information begins to age, it is often migrated to optical disk ("OD") or CD-R, which offers quick access to information at a lower cost than DASD and which has high storage capacity. As the need to access information becomes more infrequent, it often is migrated to magnetic tape, an even lower cost media that provides somewhat slower, yet readily accessible, information delivery. Once information moves to an archival stage in its life cycle, it is often moved to microfilm and microfiche, which offers very low storage costs for both archival and non-archival applications.

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Anacomp's array of products and services are designed to help organizations best manage how they store, deliver, and migrate their information across this entire life cycle. The Company believes that vendor consolidation, a gradual blending of product and market components of document imaging, and similar trends will favor suppliers that can provide a broad, technologically robust suite of products and services across the entire cycle. The Company also believes that this market will continue to favor vendors with a fully developed domestic and international infrastructure allowing them to serve large customers and reap the benefits of economies of scale.

Additionally, competitive pressures on companies in industries served by Anacomp have steadily increased the demand for output services. Concerns over technology obsolescence, the sometimes high capital cost of information

management systems, and a general recognition of the benefits of outside expertise have induced many companies to reduce in-house expenditures on certain operations in favor of third-party service providers. Through outsourcing, companies are able to avoid the capital requirements of proprietary data management and storage systems, and maintain flexibility to migrate their information as new products and technologies become available.

Anacomp believes this trend should have a positive impact on many of the output services offered by the Company. Value-added product features (such as customized indexes, retrieval software, and other user productivity enhancements), as well as strong client relationships and unsurpassed customer service enable Anacomp to differentiate itself from other service providers.

Anacomp recognizes that certain products and services in the information delivery industry are declining relative to others. Traditionally, micrographics has provided one of the most cost-effective means of data storage and retrieval for information-intensive organizations such as banks, insurance companies, financial service companies, retailers, healthcare providers, and government agencies. However, the ongoing growth of local area and client/server networks and similar systems based on digital technologies has and will continue to result in alternative data storage and retrieval technologies for active records management. Over the next few years, the Company believes that micrographics technology will continue to retain certain cost and functional advantages over alternative data storage media, which will keep micrographics competitive in a wide range of applications. Over a longer term, the Company believes micrographics technology will be viewed predominately as a cost-effective method for long-term data storage.

The Company also believes that its leadership in micrographics, particularly COM services, affords it a substantial marketing and business platform from which to advance its product and service plans. New and complementary offerings such as CD-R output services provide a migration path for customer transitions to digital technologies for certain applications. Further, by maximizing its share of existing markets such as micrographics and magnetic media, the Company creates additional opportunities to work with organizations to better manage their information throughout its life cycle.

The Company believes that strategic acquisitions are integral to future success in the fragmented information delivery industry. To that end, a core component of the Company's strategy is to acquire a select number of outsourcing and other businesses that provide services complementary to Anacomp's existing data output services. Recent and potential acquisitions include companies in either COM or CD-R outsourcing, as well as organizations providing complementary archival and print/mail services.

Likewise, the Company is actively pursuing partnerships with companies which it believes possess products, technology, or other resources that add value to Anacomp's own capabilities. Currently, the Company maintains partnerships with major technology companies for the development of print and data stream technologies, the development of digital software applications, the distribution of COM systems in Asia, and in other information management areas.

Products and Services

Anacomp's information management solutions address its customers' needs along the entire life cycle of documents. The Company's product and service offerings are grouped into several areas: Output Services, Technology Services, Output Systems, Micrographics Supplies and Magnetic Media.

The table below shows Anacomp's revenues by product and service line for the last three fiscal years. The table is presented on a traditional comparative basis for the twelve months ended September 30, 1996, to facilitate a meaningful comparison to fiscal years 1995 and 1994. Consequently, the fiscal 1996 information presented below does not comply with accounting requirements for companies upon emergence from bankruptcy which calls for separate reporting for the newly reorganized company and the predecessor company.

<TABLE>

<CAPTION>

	Year Ended September 30,					
	1996		1995		1994	
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Output Services	\$103,733	21%	\$132,144	22%	\$131,238	22%
Technology Services	82,105	17	86,175	15	91,339	15
Output Systems	32,794	7	51,276	9	57,627	10
Micrographics Supplies	150,449	31	190,621	32	204,346	35
Magnetic Media	112,187	23	128,353	22	97,545	17
Other	4,872	1	2,620	0	10,504	1
	\$486,140	100%	\$591,189	100%	\$592,599	100%

</TABLE>

Output Services

COM Services

COM services, the delivery of microfilm outsourcing services, represents the largest component of Anacomp's output services. The Company operates 44 output service centers in the United States, ranking second in domestic market share, and plans to begin offering COM services in fiscal 1997 at startup output service centers in Canada and Europe.

On a daily basis, Anacomp's output service centers receive thousands of electronic downloads and computer tapes from customers. This information (both text and graphics) is converted to 16mm microfilm or to microfiche, which is a four-inch by six-inch film medium capable of storing up to 1,000 pages of computer output. Turnaround for a typical COM services job ranges from two hours to 36 hours, depending on specific circumstances and requirements, and the centers generally operate 24 hours a day every day of the year.

In response to a gradual decline in the market for micrographics services and a more competitive market, in fiscal 1995 Anacomp completed installation of XFP 2000 COM systems in all of its output service centers, increasing the efficiency of COM production. Additionally, the Company has upgraded many of these systems with Anacomp-developed emulation software for IBM and Xerox laser print streams, expanding the potential market for COM services and resulting in higher average prices than for other COM output.

As an adjunct to COM services, Anacomp also provides External Facilities Management ("XFM") services to selected customers. Under an XFM arrangement, Anacomp operates and manages a customer's COM production at Anacomp's facilities.

The COM services segment of the micrographics industry processed over 45 billion images in 1995, generating over \$350 million in revenues. The Company believes it holds an estimated 25 percent to 30 percent market share, second only to First Image Management Company, a division of First Data Corporation.

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ALVA CD Services

Anacomp is the third largest U.S. provider of CD-R output services. The Company's ALVA CD Services provide Anacomp customers with a high-capacity storage and delivery solution for applications requiring frequent and high-speed information retrieval.

ALVA CD services involves storing and indexing customer information such as invoices and customer statements on CD-R. In addition to indexed CD output, ALVA also includes sophisticated Windows-based software for accessing and retrieving the data. ALVA is available at the majority of the Company's output service centers in the United States, as well as through new Company output service centers in Canada and Europe.

Anacomp estimates the total market for CD services to grow from an estimated \$10 - \$15 million in revenues in fiscal 1996 to \$75 million by 1999. The Company believes that its ALVA solution has significant advantages over competing products, primarily due to the Company's network of output service centers, its extensive knowledge of applications and indexing expertise, and ALVA's flexible and easy-to-use user interface.

Archival And Print/Mail Services

Anacomp provides archival storage services at several of its output service centers in the United States, providing the long-term storage of original microfilmed records for its COM services customers. The microfilm is stored in a secure vault within the Anacomp facility, providing customers with a convenient and safe method of off-site storage of critical business records. In addition, Anacomp offers customers the ability to retrieve their records on an as-needed basis. Anacomp plans to expand this business in fiscal 1997 by opening several new archival vaults.

The Company also intends to broaden its archival services business in the future by storing multiple-media records -- such as paper, optical disks, and magnetic tape in addition to microfiche and microfilm -- at dedicated storage facilities. Anacomp has taken a first step in this direction in October 1996 by acquiring Archive Storage, Inc. ("ASI"), a small Massachusetts company that operated an underground, climate-controlled storage vault. ASI also provided records management and disaster recovery consulting services to businesses, helping customers ensure they are storing the right information on the most cost-effective media for the appropriate periods of time.

Anacomp plans to expand print/mail services, the output and mailing of printed information, in the United States in fiscal 1997. The Company sees print/mail services as complementary to the COM and CD output services it offers

to clients today, and the Company believes it can leverage its existing client relationships and application knowledge to obtain significant print/mail revenues by providing its customers with distinct cost and service advantages.

Technology Services

Anacomp's technology services includes both traditional maintenance services as well as newer professional services offered by the Company.

Anacomp maintains approximately 98% of its own installed base of COM systems, as well as a large percentage of those built by other companies. In addition, the Company provides maintenance services for micrographics-related devices and, increasingly, non-micrographics equipment. Since many customers tend to use the maintenance services of the vendor that installed the system, maintenance revenues traditionally have been a function of new COM system sales and the size of the installed base. Anacomp's COM maintenance market share is approximately 65 percent in the United States, 50 percent in Europe, and 15 percent in the Americas (excluding the United States) and Asia.

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In fiscal 1996, Anacomp identified professional services as a potential growth segment of its maintenance business. Professional services refers to the delivery of project-specific expertise in such areas as job set-ups, user interfaces, data communications, and networking. Tasks include software development, problem resolution, and consulting. In the past, Anacomp had provided many of these services to customers free of charge. As an example of how the Company plans to market professional services, Anacomp now provides a specified number of hours of "free" job set-up assistance with each XFP 2000 sold; the customer is charged for work exceeding those hours.

Output Systems

COM Systems

Anacomp is the world's leading manufacturer and distributor of COM systems, offering a complete line of COM recorders, duplicators, sorters, and related software. Anacomp's installed base of COM systems, approximately 55 percent of those in use worldwide, is more than twice as large as its nearest competitor, and related sales of COM services and supplies to the installed base provide the Company with a recurring revenue stream that constitutes a significant portion of its annual revenues.

The XFP 2000, which is manufactured by the Company, is the most advanced COM recorder on the market and has enabled the Company to capture an estimated 57 percent of all new COM systems sold or leased. The XFP 2000 is faster and more reliable than previous COM recorders and, through its laser technology, has the capability to generate precise reproductions of any image.

In fiscal 1996, Anacomp introduced DragonCOM, a version of the XFP 2000 for the Asian market, which is capable of processing Chinese, Korean, Taiwanese, Japanese, and other ideographic languages utilizing the popular IBM Advanced Function Presentation ("AFP") architecture.

Anacomp also has developed two new software products that emulate IBM and Xerox laser print streams. AFP software developed in conjunction with IBM enables the XFP 2000 to process and image AFP formatted data streams used by IBM high-speed mainframe laser printers. Xerox Compatibility Feature ("XCF") software developed in partnership with Xerox enables the XFP 2000 to process the same data stream used by Xerox high-speed, high-volume laser printers.

Principal customers for the Company's COM systems include information-intensive organizations such as banks, insurance companies, financial service companies, retailers, healthcare providers, and government agencies, as well as non-Anacomp COM output service centers. While the majority of COM systems are sold outright, the Company does offer customers lease and monthly usage options.

The Company's primary competitors in the sale of COM systems are Agfa-Gevaert AG ("Agfa") and Micrographic Technology Corporation. Competition is based principally on product features, as well as on such factors as product quality, service and price. Anacomp sells approximately 57 percent of all new COM systems sold worldwide, including those sold through an OEM arrangement.

Electronic Data Management

The Company is working actively to bring to market a new suite of electronic data and image management solutions, known as "Concerto". These software solutions are expected to support a wide range of computer output, document images, document routing, and management applications. Applications are expected to include customer response systems, healthcare claims processing, litigation support, insurance claims processing, and many other applications involving the electronic storage, retrieval, routing, and management of documents and associated information.

The Company also markets an integrated system for information management known as XSTAR, or the eXtended SStorage And Retrieval system ("XSTAR"). Launched in 1995, XSTAR is a solution for mainframe computing environments that allows organizations with significant data access requirements to expedite information retrieval regardless of the data's location.

The Company intends to position itself as a comprehensive provider of integrated solutions for organizing, storing, routing, and processing information of all types. In order to quickly and cost-effectively provide these solutions to its customers, and to take maximum advantage of the Company's areas of expertise, Anacomp has embarked on establishing technology alliances with the foremost providers of the key technologies available today for managing and delivering information.

Micrographics Supplies

Anacomp sells the most comprehensive line of micrographics supplies in the world, including original silver halide film, duplicate film, chemicals for microfilm processing, paper and toners for reader/printers, micrographics lamps and bulbs, and other consumables. The Company also markets a complete line of microfilm/microfiche readers.

Anacomp is the world's largest supplier of duplicate microfilm, which is used to create one or more additional copies of original microfiche and microfilm masters. The Company's share of this estimated \$75 million worldwide market is approximately 67 percent, which includes sales to its own output centers. Anacomp's primary competitor in the duplicate microfilm market is Rexham Graphics Ltd. ("Rexham") with an estimated 25 percent share of the worldwide duplicate film market.

The Company sells original microfilm for Anacomp's COM systems and for other manufacturers' COM systems, with film sold for Anacomp's systems representing the vast majority of original microfilm sales. Anacomp competes in sales of non-proprietary original COM microfilms with other manufacturers, including Agfa, Fuji Photo Film U.S.A., Inc. ("Fuji"), Kodak, and Imation Enterprises Corporation ("Imation") (formerly part of 3M). For non-OEM sales of the XFP 2000, the Company is the exclusive supplier for original microfilm because of the proprietary nature of the canister in which the film is placed. Anacomp sells its consumable supplies directly to more than 90 percent of its worldwide installed base.

Anacomp has an estimated 33 percent of the micrographics supplies market in Europe and an estimated 39 percent of the supplies market in the Americas (excluding the United States) and Asia. In Europe, the Company's primary competitors for micrographics supplies and equipment are the Kalle Microfilm Division of Hoechst AG, A. Messerli AG and Rexham. Its primary competitors in Japan are Kodak and Fuji.

Magnetic Media

Anacomp manufactures, sells, and distributes a broad range of magnetics products such as open reel tape, 3480/3490E tape cartridges, TK 50/52 CompactTape, and back-up tape cartridges such as quarter-inch, 4mm, and 8mm. Anacomp is the world's largest manufacturer of half-inch tape products, widely used by many organizations for the near-line storage of business data.

Anacomp is exploring new applications and markets based on its magnetics coating capacity. In fiscal 1995, Anacomp introduced voice logging tape and instrumentation tape. Voice logging tape is used by brokerage companies, "911" emergency service providers, and other entities to record telephone conversations. Instrumentation tape is used by various government agencies to measure and record sensitive data. In fiscal 1996, Anacomp began to use magnetic coated media to manufacture transfer tape, which is found on the back of transaction media (similar to credit and telephone cards).

The Company is actively seeking partnerships that will enable the Company to participate in the next generation of magnetic media products, including half-inch metal particle tape (3590 cartridges). This product will be introduced in fiscal 1997 and is expected to enjoy significant growth as this market expands over the next several years.

Anacomp primarily sells its magnetics products through its worldwide distributor and dealer network and, to a lesser extent, through parts of the Company's direct sales force. Anacomp markets its magnetics products under the "Memorex", "Dysan", "Graham", and "StorageMaster" trademarks.

Anacomp has no significant competitors with respect to the manufacture of

open reel tape, and its worldwide market share for that product is estimated at 92 percent. Anacomp competes with Imation and BASF AG in the sale of 3480/3490E data cartridges. Anacomp's worldwide market share for 3480 and 3490E data cartridges is estimated to be 38 percent and 35 percent, respectively.

Industry Segment and Foreign Operations

As discussed in Note 1 to the consolidated financial statements, Anacomp operates in a single business segment -- providing equipment, supplies and services for information management, including storage, processing and retrieval. Financial information concerning the Company's operations in different geographical areas is included in Note 22 to the consolidated financial statements.

Summary

Soon to begin its fourth decade of operation, Anacomp has substantial market positions for most of its products. Serving more than 15,000 customers in 65 countries, the Company is one of the oldest and most well-known names in information management.

Micrographics, historically its core product line, continues to provide the Company access to a premier customer base and the revenue to invest in new products and technologies. New products and services, such as ALVA, Concerto, archival services, and print/mail services, offer the Company the opportunity to extend its history of leadership into the next decade. After its financial reorganization in fiscal 1996, Anacomp believes it has positioned itself to become the world leader in helping organizations manage information across its entire life cycle.

ITEM 2. PROPERTIES

Anacomp maintains its corporate headquarters in Carmel, Indiana (a suburb of Indianapolis) and has corporate and administrative offices in Atlanta, Georgia and Poway (San Diego), California. Micrographics manufacturing, engineering, customer service, marketing and product maintenance facilities are all located in Poway, California near San Diego. Anacomp's magnetics manufacturing facilities are located in Graham, Texas and Brynmawr, Wales. During 1994, Anacomp's Graham and Brynmawr facilities received international recognition for quality standards, earning International Standards Organization ("ISO") 9002 certification. Anacomp's Poway facility earned ISO 9002 certification in September 1995.

The following table indicates the square footage of Anacomp's facilities:

<TABLE>
<CAPTION>

	Operating Facilities	Other Facilities	Corporate Facilities	Total
United States:				
<S>	<C>	<C>	<C>	<C>
Leased	601,700	119,614	49,111	770,425
Owned	147,420	15,630	-	163,050
	749,120	135,244	49,111	933,475
International:				
Leased	105,254	29,410	-	134,664
Owned	145,000	--	--	145,000
	250,254	29,410	-	279,664
Total	999,374	164,654	49,111	1,213,139

</TABLE>

Other Facilities consist primarily of abandoned facilities, of which 151,569 square feet is sublet to others. Anacomp also leases office space for its sales and service centers in a variety of locations. Anacomp considers its facilities adequate for its present needs and does not believe that it would experience any difficulty in replacing any of its present facilities if any of its current agreements were terminated.

ITEM 3. LEGAL PROCEEDINGS Legal Proceedings

The Company and its subsidiaries are named defendants in several lawsuits and claims arising in the ordinary course of business. While the outcome of such claims, lawsuits or other proceedings against the Company cannot be predicted with certainty, management expects that any liability arising thereunder, to the extent not provided for through insurance or otherwise, will not have a material adverse effect on the financial statements of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the three months ended September 30, 1996, to a vote of Anacomp's security holders through the solicitation of proxies or otherwise.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The current executive officers of the Company, their ages (as of December 16, 1996) and positions are listed below:

Name	Age	Position
P. Lang Lowrey, III	43	President, Chief Executive Officer and Chairman of the Board
Ralph W. Koehrer	51	President and Chief Operating Officer (effective January 6, 1997)
Donald L. Viles	50	Executive Vice President and Chief Financial Officer
Ray L. Dicasali	48	Senior Vice President and Chief Technology Officer
Barry L. Kasarda	53	Senior Vice President-Operations
Kevin M. O'Neill	42	Senior Vice President-Global Marketing
William C. Ater	56	Vice President, Chief Administrative Officer and Secretary
Jeffrey S. Withem	37	Vice President-Planning and Communications and Chief of Staff
Thomas L. Brown	40	Vice President and Treasurer
K. Gordon Fife	51	Vice President-Tax
George C. Gaskin	37	Vice President-Legal, Corporate Counsel and Assistant Secretary
Hasso Jenss	53	President-European Group
Gary M. Roth	54	President-International Group
T. Randy Simmons	49	President-U.S. Group
Peter Williams	44	President-Magnetics Group

The business experience of the above officers and directors for the past five years is described below. Each executive officer is elected for a term of one year and holds office until his successor is chosen and qualified or until his death, resignation or removal.

P. Lang Lowrey, III was elected Chairman of the Board on June 4, 1996. Mr. Lowrey was elected President and Chief Operating Officer in May 1995 and subsequently assumed the duties of Chief Executive Officer, effective October 1, 1995. Prior to that, he served as President - Magnetics Group from November 1992 to May 1995. He served from October 1990 to October 1992 as Vice President Worldwide Marketing Division.

Ralph W. Koehrer was elected President and Chief Operating Officer (effective January 6, 1997) on December 10, 1996. Koehrer will join the Company from Automatic Data Processing, Inc. ("ADP"), where, most recently, he served as a corporate officer and as president of ADP's Information and Processing Services division.

Donald L. Viles was elected Executive Vice President and Chief Financial Officer on February 15, 1996. From October 1985 to February 1996, he served as Vice President and Controller.

Ray L. Dicasali was elected Senior Vice President and Chief Technology Officer on June 3, 1996. From 1993 to 1996, Mr. Dicasali served as Senior Vice President of Technology and CIO of Flexel. From 1989 to 1993, Mr. Dicasali was Senior Vice President and CIO of Dun and Bradstreet Software.

Barry L. Kasarda was elected Senior Vice President - Operations on December 10, 1996, after assuming responsibility for the Technology Services Group. He had been elected Senior Vice President of Manufacturing and Materials on June 3, 1996 and continues to oversee those functions. From 1993 to 1996, he served as Vice President of Materials. Prior to joining the Company, Mr. Kasarda served as Vice President and General Manager of ABEX Division of Parker Hannifin Corporation from 1989 to 1993.

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Kevin M. O'Neill was elected Senior Vice President - Global Marketing on June 3, 1996. Mr. O'Neill had previously served as Vice President of Global

Marketing from 1995 until June 1996. From 1994 to 1995, Mr. O'Neill served as Vice President of Marketing, Strategic Resellers Group. Prior to joining the Company, Mr. O'Neill served as Senior Director, Marketing & Product Development for Fujitsu-ICL Systems, Inc. from 1982 to 1994.

William C. Ater was elected Vice President and Chief Administrative Officer in February 1988. He has served as Secretary since March 1985.

Jeffrey S. Withem was elected Vice President - Planning and Communications and Chief of Staff on June 3, 1996. Mr. Withem was Vice President, Strategic Planning and Corporation Communications from October 1995 to June 1996. From 1993 to 1995, Mr. Withem served as Vice President, Marketing, for the Company's Magnetics Group. Prior to that, he was Marketing Communications Manager for Worldwide Marketing for the Company from 1990 to 1992.

Thomas L. Brown was elected Vice President and Treasurer on May 19, 1996. From January 1995 to April 1996, Mr. Brown served as Corporate Controller of Hurco Companies, Inc. Mr. Brown had previously served as Assistant Vice President of Financial Reporting and Analysis for the Company from March 1991 to 1995.

K. Gordon Fife was elected Vice President - Tax in October 1985.

George C. Gaskin was elected Vice President - Legal, Corporate Counsel and Assistant Secretary on June 3, 1996. From June 1990 to June 1996, Mr. Gaskin served as Corporate Counsel and Assistant Secretary.

Hasso Jenss was elected President of the European Group effective October 1, 1995. Mr. Jenss served as Vice President - European Micrographics from November 1993 to September 1995. Prior to that, he served from October 1989 to October 1993 as Managing Director of Anacomp's German subsidiary.

Gary M. Roth was elected President of the International Group, effective October 1, 1995. Previously, Mr. Roth served as Vice President, Americas/Asia Division from November 1992 to September 1995. From October 1991 to October 1992, he served as Manager, LAAP/Canada Operations. From October 1988 to October 1991, he served as Vice President - Data Systems Division.

T. Randy Simmons was elected President of the U.S. Group, effective October 1, 1995. Previously, Mr. Simmons served as Vice President, Direct Sales Division - East from November 1994 to September 1995. Prior to that, he served as Vice President - Information Systems Division from November 1991 to November 1994. He served from 1987 to 1991 as Vice President - Micrographics Services Division.

Peter Williams was elected President of the Magnetics Group, effective October 1, 1995. Previously, he served as General Manager of the Magnetics European Group from 1993 to September 1995. Prior to that, he served from 1990 to 1993 as Vice President, Wales Operations - Magnetics.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market, holder and dividend information concerning the Company's common stock appears on page A-2 of this Annual Report on Form 10-K.

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ITEM 6. SELECTED FINANCIAL DATA

Selected financial data appears on page A-2 of this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations appears on pages A-3 to A-9 of this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary financial information appear on pages A-10 to A-41 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes in or disagreements with accountants on accounting and financial disclosures.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company hereby incorporates by reference the information contained under the headings "Election of Directors" and "Compliance with Section 16(a) of the Securities and Exchange Act of 1934" from its definitive Proxy Statement (hereinafter, the "Proxy Statement") to be delivered to the shareholders of the Company in connection with the 1997 Annual Meeting of Shareholders to be held February 3, 1997. Certain information relating to executive officers of the Company appears on pages 13 and 14 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The Company hereby incorporates by reference the information contained under the heading "Executive Compensation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company hereby incorporates by reference the information contained under the heading "Security Ownership of Management and Other Beneficial Owners" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no relationships or related transactions that require disclosure.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. The following financial statements and other information appear in Appendix A to this Annual Report on Form 10-K and are filed as a part hereof:

Selected Financial Data.
Market Price and Dividend Information.
Management's Discussion and Analysis of Financial Condition and Results of Operations.
Report of Independent Public Accountants.
Consolidated Balance Sheets - September 30, 1996 and 1995.
Consolidated Statements of Operations -
 Four Months Ended September 30, 1996,
 Eight Months Ended May 31, 1996,
 Twelve Months Ended September 30, 1995 and 1994.
Consolidated Statements of Cash Flows -
 Four Months Ended September 30, 1996,
 Eight Months Ended May 31, 1996,
 Twelve Months Ended September 30, 1995 and 1994.
Consolidated Statements of Stockholders' Equity (Deficit) -
 Four Months Ended September 30, 1996,
 Eight Months Ended May 31, 1996,
 Twelve Months Ended September 30, 1995 and 1994.
Notes to Consolidated Financial Statements.

2. Financial Statement Schedules are not filed with this Annual Report on Form 10-K because the Schedules are either inapplicable or the required information is represented in the financial statements or notes thereto.

(b) Reports on Form 8-K:

During the quarter ended September 30, 1996, and prior to filing its Annual Report on Form 10-K, Anacomp filed no reports on Form 8-K.

(c) The following exhibits are filed with this Annual Report on Form 10-K or incorporated herein by reference to the document set forth next to the exhibit listed below.

Previously unfiled documents are noted with an asterisk (*):

(3) Articles of Incorporation and Bylaws:

a) The Amended and Restated Articles of Incorporation of Anacomp were effective June 4, 1996, and are incorporated by reference to Anacomp's Form 8-K filed on June 19, 1996 (File No. 1-8328).

b) The Amended and Restated Bylaws of Anacomp were effective June 4, 1996, and are incorporated by reference to Anacomp's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(4) Instruments defining the rights of security holders, including indentures:

(a) Third Amended Joint Plan of Reorganization of the Company and certain of its subsidiaries. Previously filed and incorporated by reference to the Company's Form 8-A filed on May 15, 1996 (File No. 0-7641).

(b) Indenture, dated as of June 4, 1996, between the Company and The Bank of New York, as trustee, relating to the Company's 11-5/8% Senior Secured Notes due 1999. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(c) Application by the Company for Exemption from Section 314(d) of the Trust Indenture Act of 1939, as amended, pursuant to Section 304(d) and Rule 4d-7 thereunder. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(d) Indenture, dated as of June 4, 1996, between the Company and IBJ Schroder Bank & Trust Company, as trustee, relating to the Company's 13% Senior Subordinated Notes due 2002. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(e) Warrant Agreement, dated as of June 4, 1996, between the Company and ChaseMellon Shareholder Services, L.L.C. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(f) Security and Pledge Agreement, dated as of June 4, 1996, by the Company, in favor of the Senior Secured Trustee. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(g) First Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated June 4, 1996, made by Anacomp, Inc., as grantor, in favor of Chicago Title Insurance Company, as trustee, for the benefit of The Bank of New York, as beneficiary. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(h) First Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated June 4, 1996 made by Anacomp, Inc., as grantor, in favor of Chicago Title Insurance Company, as trustee, for the benefit of The Bank of New York, as beneficiary. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(10) Material Contracts:

(a) *Amended and Restated Employment Agreement, effective October 1, 1996, between Anacomp, Inc. and P. Lang Lowrey, III.

(b) Employment Agreement, effective March 1, 1992, between Anacomp, Inc. and Thomas R. Simmons. Previously filed and incorporated by reference to the Company's Form 10-K for the year ended September 30, 1993.

(c) *Employment Agreement, effective October 1, 1992, between Anacomp, Inc. and William C. Ater.

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(d) *Employment Agreement, effective February 15, 1996, between Anacomp, Inc. and Donald L. Viles.

(e) Common Stock Registration Rights Agreement, dated as of June 4, 1996 by and among the Company and the Holders of Registrable Shares. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(f) Senior Secured Note Registration Rights Agreement, dated as of June 4, 1996 by and among the Company and the Holders of Registrable Notes. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(g) Senior Subordinated Note Registration Rights Agreement dated as of June 4, 1996, by and among the Company and Holders of Registrable Notes. Previously filed and incorporated by reference to the Company's Form 8-K filed on June 19, 1996 (File No. 1-8328).

(h) Amended and Restated Master Supply Agreement, dated October 8, 1993, among Anacomp, Inc., SKC America, Inc. and SKC Limited. Previously filed and incorporated by reference to the Company's Form 10-K for the year ended September 30, 1993.

(11)*Statement re: computation of per share earnings.

(21)*Subsidiaries of the registrant.

(27)*Financial data schedule (Required for electronic filing only).

SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANACOMP, INC.
By: /s/ P. Lang Lowrey, III
P. Lang Lowrey, III
President, Chief Executive
Officer, and Chairman of the Board

December 23, 1996

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and on the dates indicated.

Dated: December 23, 1996 By: /s/ P. Lang Lowrey, III
P. Lang Lowrey, III
President, Chief Executive
Officer, and Chairman of the Board

Dated: December 23, 1996 By: /s/ Donald L. Viles
Donald L. Viles, Executive Vice
President and Chief Financial Officer

Dated: December 23, 1996 By: /s/ Talton R. Embry
Talton R. Embry, Director

Dated: December 23, 1996 By: /s/ Darius W. Gaskins, Jr.
Darius W. Gaskins, Jr., Director

Dated: December 23, 1996 By: /s/ Jay P. Gilbertson
Jay P. Gilbertson, Director

Dated: December 23, 1996 By: /s/ Richard D. Jackson
Richard D. Jackson, Director

Dated: December 23, 1996 By: /s/ George A. Poole, Jr.
George A. Poole, Jr., Director

Dated: December 23, 1996 By: /s/ Lewis Solomon
Lewis Solomon, Director

APPENDIX A

Annual Report on Form 10-K
Anacomp, Inc.

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</TABLE>

ANACOMP, INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

The following Selected Financial Data should be read in conjunction with Item 1, "Business", of Part I of this Annual Report on Form 10-K, and with the Notes to Consolidated Financial Statements:

<TABLE>
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(Dollars in thousands, except per share amounts)	Reorganized		Predecessor Company			
	Company		Fiscal Year Ended September 30,			
	September 30, 1996	Ended May 31, 1996	1995	1994	1993	1992

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 151,542	\$ 334,598	\$591,189	\$592,599	\$590,208	\$628,940
Income (loss) before extraordinary credit and cumulative effect of accounting change	(22,009)	112,528	(238,326)	6,955	11,691	18,221
Extraordinary credit	--	52,442	--	--	6,900	8,700
		52,442				
Cumulative effect on prior years of a change in accounting for income taxes	--	--	--	8,000	--	
Net income (loss)	(22,009) (a)	164,970 (b)	(238,326)	14,955	18,591	26,921
Earnings (loss) per common and common equivalent share:						
Net income (loss)	\$ (2.19)	(c)	(c)	(c)	(c)	(c)
Cash dividends per common share	--	--	--	--		

(a) The net loss for the four months ended September 30, 1996, includes \$25.7 million of Reorganization Asset amortization.

(b) The net income for the eight months ended May 31, 1996, includes \$92.8 million of Reorganization items as more fully discussed in Notes 3 and 4 to the accompanying consolidated financial statements.

(c) Due to the implementation of Fresh Start Reporting, per share data for the Predecessor Company has been excluded as they are not comparable.

</TABLE>
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	As of September 30,				
	Reorganized	Predecessor Company			
	Company	1995	1994	1993	1992
	1996				
<S>	<C>	<C>	<C>	<C>	<C>
Current assets	\$147,530	\$175,193	\$214,129	\$218,011	\$244,434
Current liabilities	152,996	578,857	208,313	187,082	198,685
Working capital	(5,466)	(403,664)	5,816	30,929	45,749
Total assets	435,421	421,029	658,639	643,548	681,561
Long-term debt, net of current portion	217,044	--	366,625	404,738	429,140
Redeemable preferred stock	--	24,574	24,478	24,383	24,287
Stockholders' equity (deficit)	58,569	(188,243)	49,756	13,799	8,290

</TABLE>

MARKET PRICE AND DIVIDEND INFORMATION

Anacomp, Inc.'s common stock is traded on The NASDAQ Stock Market ("NASDAQ") under the ticker symbol "ANCO." The high and low closing prices (as reported by NASDAQ) for the Company's common stock were as follows:

	HIGH	LOW
Three months ended:		
September 30, 1996	\$11.13	\$7.63

The Company's borrowing agreements prohibit the payment of cash dividends on common shares. The number of stockholders of record as of December 16, 1996 was 229. The number of beneficial stockholders of record as of December 16, 1996 was approximately 1,200.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Recent Developments

On June 4, 1996, the Company emerged from bankruptcy proceedings under its Third Amended Joint Plan of Reorganization (the "Reorganization"). On such date, the Company canceled its existing secured debt and subordinated debt, including 15% Senior Subordinated Notes, 13.875% Convertible Subordinated Debentures and 9% Convertible Subordinated Debentures, and its equity securities, including common stock, common stock purchase rights, preferred stock and warrants, and distributed to its creditors approximately \$22 million in cash, \$112.2 million principal amount of its 11-5/8% Senior Secured Notes due 1999 (the "Senior Secured Notes"), \$160 million principal amount of its 13% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes"), 10 million shares of new common stock, par value \$.01 per share (the "New Common Stock"), and warrants to purchase 362,694 shares of New Common Stock at a price of \$12.23 per share for a period of five years from June 4, 1996. The Plan of Reorganization resulted in a reduction of approximately \$173 million in principal and accrued interest on the Company's debt obligations and in liquidation amount and accrued dividends on its preferred stock. The resulting capital structure reduced the Company's interest expense by approximately \$30 million per year.

The process began January 5, 1996, when Anacomp filed a Prenegotiated Plan of Reorganization with the U.S. Bankruptcy Court in Delaware under Chapter 11 of the U.S. Bankruptcy Code. The Company was in default under substantially all of its debt agreements as a result of its failure to make \$89.7 million of principal payments scheduled for April 26, 1995 and October 26, 1995 on the senior secured credit facilities (including \$60 million relating to the revolving loan agreement which expired on October 26, 1995), \$11.4 million of principal and interest payments on the 9% Convertible Subordinated Debentures which were due January 15, 1996, \$34.1 million of interest payments scheduled for May 1, 1995 and November 1, 1995 on its Senior Subordinated Notes, and \$3.2 million of interest payments scheduled for July 15, 1995 and January 15, 1996 on the 13.875% Subordinated Debentures, as well as certain financial covenant violations, and the cross-default provisions of the other debt agreements.

Results of Operations

On May 20, 1996 (the "Confirmation Date"), the Company's Plan was confirmed by the United States Bankruptcy Court and the Company emerged from bankruptcy on June 4, 1996. As a result of the Reorganization, the recording of the restructuring transaction and the implementation of Fresh Start Reporting, the Company's results of operations after May 31, 1996 (the cutoff date used for financial reporting purposes) are not comparable to results reported in prior periods. See Note 3 to the accompanying consolidated financial statements for information on consummation of the Plan of Reorganization and implementation of Fresh Start Reporting.

To facilitate a meaningful comparison of the Company's quarterly and year-to-date operating performance in fiscal years 1996 and 1995, the following discussion of results of operations on a consolidated basis is presented on a traditional comparative basis for all periods. Consequently, the current year's information presented below does not comply with accounting requirements for companies upon emergence from bankruptcy, which requirements call for separate reporting for the newly reorganized company and the predecessor company.

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<TABLE>
<CAPTION>

CONSOLIDATED RESULTS OF OPERATIONS
Anacomp, Inc. and Subsidiaries

(Dollars in thousands, except per share amounts) Year ended September 30, 1996 (a) 1995 1994

Revenues:	<C>	<C>	<C>
<S>			
Services provided.....	\$189,257	\$219,881	\$223,511
Equipment and supply sales.....	296,883	371,308	369,088
	486,140	591,189	592,599
Operating costs and expenses:			
Costs of services provided.....	104,499	126,493	122,628
Costs of equipment and supplies sold.....	226,623	290,842	274,575
Selling, general and administrative expenses.....	93,514	132,459	115,819
Amortization of reorganization asset.....	25,663	----	----
Special charges.....	----	136,889	----
Restructuring charges.....	----	32,695	----
	450,299	719,378	513,022
Income (loss) before interest, other income, reorganization items, income taxes, extraordinary credit and cumulative effect of accounting change.....	35,841	(128,189)	79,577
Interest income.....	2,573	2,000	3,144
Interest expense and fee amortization.....	(39,629)	(70,938)	(67,174)
Financial restructuring costs.....	----	(5,987)	----
Other income (expense).....	6,995	(212)	(192)
	(30,061)	(75,137)	(64,222)
Income (loss) before reorganization items, income taxes, extraordinary credit, and cumulative effect of accounting change.....	5,780	(203,326)	15,355
Reorganization items.....	92,839	----	----
Income (loss) before income taxes, extraordinary credit and cumulative effect of accounting change.....	98,619	(203,326)	15,355
Provision for income taxes.....	8,100	35,000	8,400
Income (loss) before extraordinary credit and cumulative effect of accounting change.....	90,519	(238,326)	6,955
Extraordinary credit - gain on discharge of indebtedness, net of taxes.....	52,442	----	----
Cumulative effect on prior years of a change in accounting for income taxes.....	----	----	8,000
Net income (loss).....	142,961	(238,326)	14,955
Preferred stock dividends and discount accretion.....	540	2,158	2,158
Net income (loss) available to common stockholders.....	\$142,421	\$(240,484)	\$12,797

(a) This column reflects the combination of historical results for the eight months ended May 31, 1996, for the Predecessor Company and for the four months ended September 30, 1996, for the Successor Company.

</TABLE>

Results of Operations-Fiscal 1996, 1995 and 1994

General

Anacomp reported net income of \$143 million for the year ended September 30, 1996 as compared to a net loss of \$238.3 million and net income of \$15 million for the years ended September 30, 1995 and 1994, respectively. Included in the fiscal 1996 income are reorganization items of \$92.8 million and a \$52.4 million extraordinary gain resulting from the discharge of indebtedness. Included in the fiscal 1995 loss are special charges of \$136.9 million, representing a write-off of goodwill of \$108 million and \$28.9 million of costs associated with software investments (See Notes 8 and 18 to the accompanying consolidated financial statements). Also included in the fiscal 1995 loss is a \$29 million deferred tax provision and \$32.7 million of restructuring charges. Earnings before interest, other income, reorganization items, extraordinary credits, restructuring charges, special charges, taxes, depreciation and amortization ("EBITDA") was \$84.2 million for the year ended September 30, 1996 as compared to \$77.2 million and \$114.2 million for the years ended September 30, 1995 and 1994 respectively.

Total revenues for fiscal 1996 of \$486.1 million represent a \$105.1 million decrease from fiscal 1995. Approximately \$60.1 million of the decrease is due to the discontinuance or downsizing of certain product lines including Image Conversion Services ("ICS") (\$20 million), flexible diskette media (\$20.2 million), reader and reader printer products (\$12.7 million) and source document film (\$7.2 million).

Total revenues for fiscal 1995 decreased \$1.4 million from the prior fiscal year. Revenues from sales of magnetic products increased \$29.5 million resulting from the acquisition of Graham Magnetics, Inc. ("Graham Magnetics") in May 1994. In addition, the acquisition of the COM services customer base of 14 data service centers from National Business Systems, Inc. ("NBS") on January 3, 1994 contributed incremental revenues of approximately \$2.7 million to the fiscal 1995 results. Offsetting these contributions were decreases in micrographics supplies, COM systems, maintenance services and other revenues.

Anacomp's fiscal 1994 revenues totaled \$592.6 million. The Graham Magnetics

acquisition contributed \$22.4 million to fiscal 1994 revenues and NBS contributed \$9.1 million to fiscal 1994 revenues.

Selling, general and administrative expenses ("S,G&A") were 19.2% of revenues in fiscal 1996 compared to 22.4% in fiscal 1995. The decrease in S,G&A reflects the cost reductions implemented in late fiscal 1995 as part of the Company's reorganization. Selling, general and administrative expenses were 16.4% of revenues in 1994.

The Company has reclassified certain operating costs within costs of services provided, costs of equipment and supplies sold and S,G&A in fiscal 1995 and fiscal 1994 to conform with the fiscal 1996 presentation.

1995 Special Charges

As mentioned above, included in the operating results for fiscal 1995 are special charges totaling \$136.9 million, including the write-off of a portion of goodwill related to micrographics products. During fiscal 1995, Anacomp announced several significant events which are summarized as follows:

On April 6, 1995, the Company announced that it was withdrawing its proposed offering of \$225 million senior secured notes previously announced on January 23, 1995.

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On April 27, 1995, the Company announced that it had agreed with its Senior Secured Lenders to make its current interest payment of \$2 million on its Old Senior Secured Debt while continuing to negotiate the rescheduling of all or a substantial portion of the \$20 million scheduled amortization payment due April 26, 1995, which the Company failed to make, and the waiver of certain financial covenant violations as of March 31, 1995. The Company also announced that until an agreement was reached with its Senior Secured Lenders (and Holders of Old Senior Subordinated Notes) the Company would not make its \$16.9 million interest payment on the Old Senior Subordinated Notes scheduled for May, 1995 and would defer making dividend payments on the Old Preferred Stock.

On May 15, 1995, in connection with announcing a second quarter loss of \$8.2 million, the Company announced plans for a restructuring of its operations which would include several cost cutting measures and personnel reductions. The Company also announced the appointment of a new president.

These developments significantly constrained Anacomp's ability to finance certain previously projected activities. In addition, in 1995, Anacomp failed to achieve its original projections of operating results and experienced lower than expected sales of major new software products which were first introduced in January 1995. In light of Anacomp's withdrawn note offering, disappointing financial performance and default on its indebtedness, the Company prepared a new operating plan.

Based on the events discussed above and in connection with the change in accounting discussed in Note 1 to the accompanying consolidated financial statements, Anacomp determined that goodwill had been impaired and measured the impairment based on the fair value approach discussed in Note 1. As required by generally accepted accounting principles, this accounting change, which amounted to a charge of \$108 million, was recorded as a change in estimate of goodwill and was included in the results of operations during fiscal 1995.

Prior to fiscal 1996, Anacomp invested and capitalized over \$20.0 million related to the development of software to provide advanced capabilities for the XFP 2000 related to the processing of Xerox and IBM print streams. These software enhancements are referred to as the Xerox Compatibility Feature ("XCF") and the Advanced Function Presentation ("AFP") feature. XCF was introduced at the beginning of the second quarter of fiscal 1995 and AFP at the beginning of the fourth quarter of fiscal 1995. Initial sales of the XCF product were significantly below expectations, as were projections for AFP. As a result, during 1995 Anacomp wrote off \$20.3 million of deferred software costs and established a reserve of \$8.6 million (none of which exists at September 30, 1996) for future payments to IBM Pennant Systems for software royalty and system support obligations which were not recoverable based on revised projections. See Note 18 to the accompanying consolidated financial statements.

Results of Operations - Products and Services

Output Services

Output services revenues, which accounted for 21% of Anacomp's revenues in fiscal 1996, were down \$8.4 million compared to fiscal 1995 (excluding the effect of the ICS sale), primarily due to a 10% decrease in volume. Output services revenues accounted for 22% of Anacomp's revenues in fiscal 1995. Volumes were increased in fiscal 1995 due in part to the acquisition of the COM services customer base of 14 data service centers from NBS. Output services revenues increased 5% in fiscal 1994 on volume increases of 10%. The increase in fiscal 1994 volume is the result of the NBS acquisition. Decreasing prices

adversely affected Anacom's output services business in fiscal 1996, 1995 and 1994.

Output services gross margins as a percent of revenue decreased 1% in fiscal 1996, 5% in fiscal 1995 and 2% in fiscal 1994.

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Technology Services

Technology services revenues, which accounted for 17% of the Company's revenues in fiscal 1996, are derived principally from the maintenance of COM recorders and duplicators. Such revenues decreased 5% in fiscal 1996 when compared to fiscal 1995 primarily due to the effect of replacing older generation COM systems with the XFP 2000, which has a capacity significantly greater than the previous generation COM systems. Technology services accounted for 15% of fiscal 1995 revenues and were down 5% from fiscal 1994. Technology services revenues increased \$3.5 million in fiscal 1994. The improvement in fiscal 1994 is largely the result of the addition of a national data service center company to Anacom's customer base.

Gross margins increased nearly 7% in fiscal 1996 due primarily to reductions in costs associated with spare parts and personnel costs.

Output Systems

Output systems revenues, which accounted for 7% of the Company's revenues in fiscal 1996, decreased \$18.5 million with the sale or lease of 118 XFP 2000 systems in fiscal 1996 compared to 153 systems in fiscal 1995. Included in output systems revenues in fiscal 1995 is \$3.5 million of sales of equipment for use in Anacom data centers under sale and leaseback arrangements. Output systems revenues decreased 9% in fiscal 1995 with the sale or lease of 153 XFP 2000 systems compared to 165 systems in fiscal 1994. Output systems revenues decreased 25% in fiscal 1994 because of the decline in sales or leases of XFP 2000 output systems from 274 systems in fiscal 1993. The decline in fiscal 1994 was partly the result of reduced original equipment manufacturer ("OEM") shipments (25 systems in fiscal 1994 compared to 67 in fiscal 1993).

Output systems gross margins improved in fiscal 1996, fiscal 1995 and fiscal 1994 despite reduced revenues as a result of product mix of new and used systems in fiscal 1996 and higher average selling prices in fiscal 1995 and 1994.

Micrographics Supplies

Micrographics supplies revenues, which accounted for 31% of the Company's revenues in fiscal 1996, decreased 21% compared to fiscal 1995 principally as a result of the discontinuance and downsizing of product lines. Micrographics supplies revenues were 32% and 35% of the Company's revenues in fiscal 1995 and 1994, respectively. Micrographics supplies revenues decreased 7% in fiscal 1995 and 8% in fiscal 1994, principally due to reduced demand for duplicate film, readers and reader/printers.

Micrographics supplies gross margins as a percent of revenue increased 5% in fiscal 1996 as a result of changes in product mix due primarily to the sale and downsizing of product lines. Micrographics supplies gross margins decreased 4% in fiscal 1995.

Magnetic Media

Magnetic media revenues, which accounted for 23% of the Company's revenues in fiscal 1996, decreased \$16.2 million compared to fiscal 1995. The decrease is due to the closure of the Omaha, Nebraska factory, which produced flexible diskette media, as well as reduced unit sales of open reel tape. Magnetic media revenues accounted for 22% of the Company's revenues in fiscal 1995. Fiscal 1995 magnetic media revenues increased \$31.9 million over fiscal 1994. The increase is due to the contribution from the acquisition of Graham Magnetics in May 1994. The acquisition of Graham Magnetics in May 1994 was the primary reason for a 36% increase in fiscal 1994 magnetic media revenues over fiscal 1993. Graham Magnetics manufactured certain magnetics products at its facility in Graham, Texas. Anacom has shifted all its U.S. production of those products from its Omaha, Nebraska plant to the Graham Magnetics facility. The costs associated with this relocation were not significant. The consolidation resulted in improved manufacturing efficiencies and overall headcount reduction.

Magnetic media gross margins have remained level over the past 3 years at approximately 16%.

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Results of Operations - Other

Interest

Interest expense and fee amortization amounted to \$39.6 million in fiscal 1996 compared to \$70.9 million in fiscal 1995. The decrease relates to the discontinuance of interest accrued on the predecessor Company's old subordinated debt during the bankruptcy proceedings, as well as reduced interest expense on the new debt instruments.

Interest expense and fee amortization was \$70.9 million in fiscal 1995 compared to \$67.2 million in fiscal 1994 due to \$3.3 million of default interest and interest on unpaid scheduled interest on the Old Senior Secured Debt as well as the Old Senior Subordinated Notes which was required by the terms of the various debt agreements.

Income Taxes

The Company adopted Financial Accounting Standards No. 109, Accounting for Income Taxes, in the first quarter of fiscal year 1994. The adoption resulted in a one-time increase to income of \$8 million reflecting the cumulative effect on prior years of this accounting change. In addition, the Company recorded a deferred tax asset of \$95 million representing the U.S. federal and state tax savings from net operating loss carryforwards ("NOLs") and tax credits. The Company also recorded a valuation allowance of \$60 million, reducing the deferred tax asset to \$35 million. In determining the valuation allowance, the Company assumed pre-tax income at levels they were experiencing at that time and considered the impact of the reversal of temporary differences and the periods in which NOL carryforward benefits expire.

The provision for income taxes in 1996 includes \$6.1 million on earnings of Anacomp's foreign subsidiaries and \$2 million of domestic income taxes required primarily related to the alternative minimum tax and state and local taxes. The effective rate as a percentage of income before reorganization items, extraordinary credit, and cumulative effect of accounting change (8.2%) is lower than the U.S. statutory rate because of non-taxable reorganization income partially offset by increases resulting from non-deductible amortization.

Included in the provision for income taxes in fiscal 1995 is a deferred tax provision of \$29 million. The deferred tax provision includes U.S. tax on undistributed foreign earnings of \$9 million and a write-off of net deferred tax assets of \$20 million. This write-off results from the uncertainty regarding the financial restructuring that was in progress and, accordingly, the uncertainty regarding the ultimate benefit to be derived from Anacomp's tax loss carryforwards. The remaining components of the provision for income taxes in 1995 were taxes of \$4.8 million on earnings of Anacomp's foreign subsidiaries and a tax reserve adjustment of \$1.2 million.

Income taxes as a percentage of income from operations was 55% in fiscal 1994. In fiscal 1994, income tax expense was reduced \$1.2 million, as a result of the favorable settlement and disposition of previously established tax reserves. The effective tax rate was higher than the U.S. statutory rate because of amortization of goodwill, which is not deductible for tax purposes, and generally higher foreign tax rates. See Note 17 to the accompanying consolidated financial statements.

Liquidity and Capital Resources Liquidity and Capital Resources

Anacomp's working capital at September 30, 1996, excluding the current portion of long-term debt, was \$26.4 million compared to a \$13.8 million deficit at September 30, 1995. To facilitate comparison of cash flow activity for fiscal 1996 to fiscal 1995, cash flows for the eight months ended May 31, 1996 and the four months ended September 30, 1996, as discussed in the accompanying consolidated statements of cash flows, have been combined for the following discussion. Net cash provided by operating activities increased to \$49.8 million for fiscal year ended September 30, 1996 compared to \$19.9 million in the comparable prior period, due primarily to significant reductions in receivables and inventories as well as non-payment of interest on subordinated debt prior to the Reorganization. Net cash provided by investing activities increased to \$3.9 million in the current period, compared to \$3.1 million in the comparable prior period.

Net cash used in financial activities increased to \$35.5 million in fiscal 1996 compared to \$23.6 million in fiscal 1995. The current period includes a \$13 million repayment of debt with proceeds from the sale of the ICS Division.

The Company's cash balance (including restricted cash) as of September 30, 1996 was \$47.8 million compared to \$19.4 million at September 30, 1995. Subsequent to September 30, 1996, the Company successfully completed a rights offering for approximately 3.6 million shares of New Common Stock. The rights offering generated approximately \$25 million in cash, which will be used for the acquisition of businesses, assets and technologies.

Prior to the Chapter 11 filing, the Company was experiencing a liquidity shortfall caused by continued declining revenues and a highly leveraged balance sheet. Upon emergence from bankruptcy proceedings the Company's pre-petition liquidity problems were improved.

The Company believes that its cash on hand and cash generated from operations will be sufficient to fund its debt service requirements, acquisition strategies and working capital requirements in the foreseeable future.

On November 20, 1996, the Company reached agreement with Lehman Brothers for the refinancing of the Company's 11-5/8% Senior Secured Notes. Lehman Brothers has agreed to underwrite a new \$115 million debt facility to replace the existing Senior Secured Notes, which had a balance outstanding of \$97.9 million at September 30, 1996. The new debt facility will consist of \$90 million in term loans and a revolver of up to \$25 million. The refinancing requires the consent of Anacomp's 13% Senior Subordinated Noteholders. The consent solicitation period ends January 17, 1997.

Forward - Looking Statements

The statements contained in this filing on Form 10-K that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Actual results may differ materially from those included in the forward-looking statements.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Anacomp, Inc.:

We have audited the accompanying consolidated balance sheets of Anacomp, Inc. (an Indiana corporation) and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the four months ended September 30, 1996, the eight months ended May 31, 1996 and the twelve months ended September 30, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 2 to the consolidated financial statements, effective June 4, 1996, the Company emerged from protection under Chapter 11 of the U.S. Bankruptcy Code pursuant to a Reorganization Plan which was confirmed by the Bankruptcy Court on May 20, 1996. In accordance with AICPA Statement of Position 90-7, the Company adopted "Fresh Start Reporting" whereby its assets, liabilities and new capital structure were adjusted to reflect estimated fair values as of May 31, 1996. As a result, the consolidated financial statements for the periods subsequent to May 31, 1996 reflect the Successor Company's new basis of accounting and are not comparable to the Predecessor Company's pre-reorganization consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anacomp, Inc. and subsidiaries as of September 30, 1996 and 1995, and the results of their operations and their cash flows for the four months ended September 30, 1996, the eight months ended May 31, 1996 and the twelve months ended September 30, 1995 and 1994 in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective June 30, 1995, the Company changed its method of accounting for the measurement of goodwill impairment.

Indianapolis, Indiana,
November 15, 1996

Arthur Andersen LLP

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CONSOLIDATED BALANCE SHEETS
Anacomp, Inc. and Subsidiaries
<TABLE>
<CAPTION>

(Dollars in thousands, except per share amounts)	As of September 30,	Reorganized Company 1996	Predecessor Company 1995
ASSETS			
Current assets:			
<S>		<C>	<C>
Cash and cash equivalents.....		\$ 38,198	\$ 19,415
Restricted cash		9,597	----
Accounts and notes receivable, less allowances for doubtful accounts of \$6,459 and \$7,367, respectively.....		58,806	90,091
Current portion of long-term receivables.....		4,690	6,386
Inventories.....		31,856	53,995
Prepaid expenses and other.....		4,383	5,306
Total current assets.....		147,530	175,193
Property and equipment, at cost less accumulated depreciation and amortization of \$3,696 and \$96,898, respectively.....		27,102	44,983
Long-term receivables, net of current portion.....		10,632	12,322
Excess of purchase price over net assets of businesses acquired and other intangibles, net.....		2,285	160,315
Reorganization value in excess of identifiable assets (See Note 3)		240,344	----
Other assets.....		7,528	28,216
		\$ 435,421	\$ 421,029
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current portion of long-term debt.....		\$ 31,848	\$ 389,900
Accounts payable.....		48,090	57,368
Accrued compensation, benefits and withholdings.....		13,728	20,891
Accrued income taxes.....		11,930	9,365
Accrued interest.....		10,586	40,746
Other accrued liabilities.....		36,814	60,587
Total current liabilities.....		152,996	578,857
Long-term debt, net of current portion.....		217,044	----
Other noncurrent liabilities.....		6,812	5,841
Total noncurrent liabilities.....		223,856	5,841
Commitments and contingencies (See Note 18)			
Redeemable preferred stock, \$.01 par value, issued and outstanding 500,000 shares (aggregate preference value of \$25,000).....		----	24,574
Stockholders' equity (deficit):			
Preferred stock, 1,000,000 shares authorized, none issued.....		----	----
Common stock, \$.01 par value; 20,000,000 and 100,000,000 shares authorized respectively; 10,099,050 and 46,187,625 issued, respectively.....		101	462
Capital in excess of par value.....		80,318	182,725
Cumulative translation adjustment (from May 31, 1996 for Reorganized Company)		159	1,329
Accumulated deficit (from May 31, 1996 for Reorganized Company).....		(22,009)	(372,759)
Total stockholders' equity (deficit).....		58,569	(188,243)
		\$ 435,421	\$ 421,029

See notes to consolidated financial statements.

</TABLE>

<TABLE>
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CONSOLIDATED STATEMENTS OF OPERATIONS
Anacomp, Inc. and Subsidiaries

(Dollars in thousands, except per share amount)	Reorganized Company		Predecessor Company	
	Four Months Ended September 30,	Eight Months Ended May 31,	Twelve Months Ended September 30,	
	1996	1996	1995	1994
REVENUES:				
<S>	<C>	<C>	<C>	<C>
Services provided.....	\$ 59,055	\$130,202	\$219,881	\$223,511
Equipment and supply sales.....	92,487	204,396	371,308	369,088
	151,542	334,598	591,189	592,599

OPERATING COSTS AND EXPENSES:

Costs of services provided.....	31,858	72,641	126,493	122,628
Costs of equipment and supplies sold.....	70,097	156,526	290,842	274,575
Selling, general and administrative expenses.....	29,688	63,826	132,459	115,819
Amortization of reorganization asset.....	25,663	----	----	----
Special charges (See Note 1).....	----	----	136,889	----
Restructuring charges (See Note 6).....	----	----	32,695	----
	157,306	292,993	719,378	513,022
Income (loss) before interest, other income, reorganization items, income taxes, extraordinary credit and cumulative effect of accounting change.....	(5,764)	41,605	(128,189)	79,577
Interest income.....	997	1,576	2,000	3,144
Interest expense and fee amortization.....	(12,869)	(26,760)	(70,938)	(67,174)
Financial restructuring costs (See Note 7).....	----	----	(5,987)	----
Other income (expense).....	27	6,968	(212)	(192)
	(11,845)	(18,216)	(75,137)	(64,222)
Income (loss) before reorganization items, income taxes, extraordinary credit, and cumulative effect of accounting change.....	(17,609)	23,389	(203,326)	15,355
Reorganization items (See Note 4)	----	92,839	----	----
Income (loss) before income taxes, extraordinary credit and cumulative effect of accounting change.....	(17,609)	116,228	(203,326)	15,355
Provision for income taxes.....	4,400	3,700	35,000	8,400
Income (loss) before extraordinary credit and cumulative effect of accounting change.....	(22,009)	112,528	(238,326)	6,955
Extraordinary credit - gain on discharge of indebtedness, net of taxes (See Note 3)	----	52,442	----	----
Cumulative effect on prior years of a change in accounting for income taxes.....	----	----	----	8,000
Net income (loss).....	(22,009)	164,970	(238,326)	14,955
Preferred stock dividends and discount accretion.....	----	540	2,158	2,158
Net income (loss) available to common stockholders.....	\$ (22,009)	\$ 164,430	\$ (240,484)	\$ 12,797
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE		\$ (2.19)		

See notes to consolidated

financial statements.

</TABLE>

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<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Anacomp, Inc. and Subsidiaries

Reorganized

	Company		Predecessor Company	
	Four Months Ended September 30,	Eight Months Ended May 31,	Twelve Months Ended September 30,	
(Dollars in thousands)	1996	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:				
<S> Net income (loss).....	<C> \$ (22,009)	<C> \$ 164,970	<C> \$ (238,326)	<C> \$ 14,955
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Extraordinary credit.....	----	(52,442)	----	----
Non-cash reorganization items.....	----	(107,352)	----	----
Depreciation and amortization.....	31,610	18,788	43,375	40,649
Cumulative effect of a change in accounting for income taxes.....	----	----	----	(8,000)
Provision (benefit) for losses on accounts receivable.....	482	110	2,742	(695)
Provision for inventory valuation.....	----	----	10,956	----
Non-cash charge in lieu of taxes.....	1,300	----	----	----
Deferred taxes.....	----	----	29,000	6,000
Special charges (See Note 1).....	----	----	136,889	----
Gain on sale of ICS Division.....	----	(6,202)	----	----
Other.....	(175)	997	6,308	776
Restricted cash requirements.....	(2,755)	(6,842)	----	----
Change in assets and liabilities net of effects from acquisitions:				
Decrease in accounts and long-term receivables.....	5,637	24,624	30,948	3,040
Decrease (increase) in inventories and prepaid expenses.....	10,416	11,174	(1,612)	15,254
Decrease (increase) in other assets.....	1	1,094	(8,207)	(11,349)
Increase (decrease) in accounts payable and accrued expenses.....	(17,283)	(5,077)	11,465	(3,623)
Increase (decrease) in other noncurrent liabilities.....	4,671	(5,899)	(3,626)	(4,323)
Net cash provided by operating activities.....	11,895	37,943	19,912	52,684
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of other assets.....	----	----	18,777	7,805
Proceeds from sale of ICS Division.....	----	13,554	----	----

Purchases of property, plant and equipment.....	(2,224)	(3,599)	(14,372)	(18,868)
Payments to acquire companies and customer rights.....	(3,844)	----	(1,262)	(14,565)
Net cash provided by (used in) investing activities.....	(6,068)	9,955	3,143	(25,628)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock and warrants.....	(139)	----	743	1,484
Proceeds from revolving line of credit and long-term borrowing.....	----	2,656	22,529	39,000
Principal payments on long-term debt.....	(22,646)	(15,332)	(45,859)	(71,095)
Preferred dividends paid.....	----	----	(1,031)	(2,062)
Net cash used in financing activities.....	(22,785)	(12,676)	(23,618)	(32,673)
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(172)	691	107	566
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(17,130)	35,913	(456)	(5,051)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	55,328	19,415	19,871	24,922
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 38,198	\$ 55,328	\$ 19,415	\$ 19,871

</TABLE>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	Reorganized Company		Predecessor Company	
	Four Months Ended September 30,	Eight Months Ended May 31,	Twelve Months Ended September 30,	
(Dollars in thousands)	1996	1996	1995	1994
Cash paid during the period for:				
<S> Interest.....	<C> \$ 5,581	<C> \$ 11,613	<C> \$ 39,426	<C> \$ 57,781
Income taxes.....	\$ 2,942	\$ 3,045	\$ 4,128	\$ 2,007

</TABLE>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

See Note 3 for discussion of non-cash activity related to Fresh Start Reporting and the Reorganization. During 1996, 1995, and 1994 the Company acquired companies and rights to provide future services. In conjunction with these acquisitions, the purchase price consisted of the following:

	Reorganized Company		Predecessor Company	
	Four Months Ended September 30,	Eight Months Ended May 31,	Twelve Months Ended September 30,	
(Dollars in thousands)				
<S> Cash paid.....	<C> \$ 3,844	<C> \$ ----	<C> \$ 1,262	<C> \$ 14,565
Credit memos issued.....	----	----	----	3,085
Notes payable issued.....	500	----	----	4,290
Stock issued.....	----	----	----	17,201
Total fair value of acquisitions.....	\$ 4,344	\$ ----	\$ 1,262	\$ 39,141

See notes to consolidated financial statements.

</TABLE>

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Anacomp, Inc. and Subsidiaries

(Dollars in thousands)	Common stock	Capital in excess of par value	Cumulative translation adjustment	Accumulated Deficit	Total
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT SEPTEMBER 30, 1993 - Predecessor Company.....	\$406	\$163,209	\$ (4,744)	\$ (145,072)	\$13,799
Common stock issued for purchases under the Employee Stock Purchase Plan.....	3	872	----	----	875

Exercise of stock options.....	3	606	----	----	609
Preferred stock dividends.....	----	----	----	(2,062)	(2,062)
Accretion of redeemable preferred stock discount.....	----	----	----	(96)	(96)
Translation adjustments for twelve months.....	----	----	4,475	----	4,475
NBS stock issuance.....	20	7,380	----	----	7,400
Graham stock issuance.....	25	9,776	----	----	9,801
Net income for the twelve months.....	----	----	----	14,955	14,955
BALANCE AT SEPTEMBER 30, 1994 - Predecessor Company	457	181,843	(269)	(132,275)	49,756
Common stock issued for purchases under the Employee Stock Purchase Plan.....	3	689	----	----	692
Exercise of stock options.....	1	50	----	----	51
Preferred stock dividends.....	----	----	----	(2,062)	(2,062)
Accretion of redeemable preferred stock discount.....	----	----	----	(96)	(96)
Translation adjustments for twelve months.....	----	----	1,598	----	1,598
Graham stock issuance.....	1	143	----	----	144
Net loss for the twelve months.....	----	----	----	(238,326)	(238,326)
BALANCE AT SEPTEMBER 30, 1995 - Predecessor Company.....	462	182,725	1,329	(372,759)	(188,243)
Preferred stock conversion.....	11	7,893	----	----	7,904
Preferred stock dividends.....	----	----	----	(516)	(516)
Accretion of redeemable preferred stock discount.....	----	----	----	(24)	(24)
Translation adjustment for eight months.....	----	----	(1,560)	----	(1,560)
NBS stock issuance.....	11	(11)	----	----	----
Reorganization.....	(484)	(190,607)	231	208,329	17,469
New stock issuance.....	100	79,666	----	----	79,766
Net income for eight months.....	----	----	----	164,970	164,970
BALANCE AT MAY 31, 1996 - Reorganized Company.....	100	79,666	----	----	79,766
Common stock issued for restricted stock award.....	1	791	----	----	792
Fees associated with rights offering.....	----	(139)	----	----	(139)
Translation adjustment for four months.....	----	----	159	----	159
Net loss for four months.....	----	----	----	(22,009)	(22,009)
BALANCE AT SEPTEMBER 30, 1996 - Reorganized Company.....	\$101	\$80,318	\$159	\$(22,009)	\$58,569

See notes to consolidated financial statements.

</TABLE>

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
Anacomp, Inc. and Subsidiaries

NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation

The consolidated financial statements include the accounts of Anacomp, Inc. ("Anacomp" or the "Company") and its wholly-owned subsidiaries. Material intercompany transactions have been eliminated. Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current presentation.

Due to the Reorganization and implementation of Fresh Start Reporting, the consolidated financial statements for the Reorganized Company (period starting May 31, 1996) are not comparable to those of the Predecessor Company. For financial reporting purposes, the effective date of the emergence from bankruptcy is considered to be the close of business on May 31, 1996.

A black line has been drawn on the accompanying consolidated financial statements to distinguish between the Reorganized Company and the Predecessor Company.

Foreign Currency Translation

Substantially all assets and liabilities of Anacomp's international operations are translated at the year-end exchange rates; income and expenses are translated at the average exchange rates prevailing during the year. Translation adjustments are accumulated in a separate section of stockholders' equity. Foreign currency transaction gains and losses are included in net income.

Segment Reporting

Anacomp operates in a single business segment: providing equipment, supplies and services for information management, including storage, processing and retrieval.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Revenues from sales of products and services or from lease of equipment under sales-type leases are recorded based on shipment of products or performance of services. Under sales-type leases, the present value of all payments due under the lease contracts is recorded as revenue, cost of sales is charged with the book value of the equipment plus installation costs, and future interest income is deferred and recognized over the lease term. Revenues from maintenance contracts are deferred and recognized in earnings on a pro rata basis over the period of the agreements.

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Inventories

Inventories are stated at the lower of cost or market, with cost being determined by methods approximating the first-in, first-out basis.

The cost of the inventories is distributed as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Reorganized Company		Predecessor Company
	September 30,	1996	1995
<S>	<C>	<C>	
Finished goods.....	\$ 22,557	\$ 38,702	
Work in process.....	2,748	4,955	
Raw materials and supplies.....	6,551	10,338	
	\$ 31,856	\$ 53,995	

</TABLE>

Restricted Cash

Restricted cash represents cash reserved as collateral for letters of credit issued by the Company or cash held in escrow primarily to secure certain contingent obligations of the Company. The contingent obligations are primarily related to environmental liabilities and certain insurance policies.

Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization of property and equipment are generally provided under the straight-line method for financial reporting purposes over the shorter of the estimated useful lives or the lease terms. Tooling costs are amortized over the total estimated units of production, not to exceed three years. In accordance with Fresh Start Reporting, property and equipment were reflected at fair market values as of May 31, 1996 (See Note 3).

Debt Issuance Costs

The Company capitalizes all costs related to its issuance of debt and amortizes those costs using the effective interest method over the life of the related debt instruments. Debt issuance costs were \$200,000 and \$12.7 million at September 30, 1996 and 1995, respectively, and are included in "Other assets" in the accompanying Consolidated Balance Sheets. During the eight months ended May 31, 1996 and fiscal years 1995 and 1994, the Company amortized \$1 million, \$5.7 million and \$5.3 million, respectively, of debt issuance costs which are included in "Interest expense and fee amortization" in the accompanying Consolidated Statements of Operations. Also, in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (SOP 90-7), the Company wrote-off deferred debt issuance costs of \$11.1 million upon the date of the bankruptcy filing. These costs are included in "Reorganization Items" in the accompanying Consolidated Statements of Operations for the eight months ended May 31, 1996.

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Goodwill

Excess of purchase price over net assets of businesses acquired

("goodwill") is amortized on the straight-line method over the estimated periods of future demand for the related products acquired. Goodwill at September 30, 1996 is being amortized over a three year period. Effective with Fresh Start Reporting, the Company now measures impairment based on future cash flows of the related products.

For the Predecessor Company, effective June 30, 1995, Anacomp elected to modify its method of measuring goodwill impairment to a fair value approach. If it was determined that impairment had occurred, the excess of the unamortized goodwill over the fair value of the goodwill applicable to the business unit was charged to operations. For purposes of determining fair value, the Company valued the goodwill using a multiple of cash flow from operations based on consultation with its investment advisors. Anacomp concluded that fair value was a better measurement of goodwill considering the Company's highly leveraged financial condition. As discussed in Note 8, Anacomp revised its projected operating results in fiscal 1995 which, along with applying Anacomp's revised goodwill accounting policy, resulted in a write-off of \$108 million of goodwill for the year ended September 30, 1995. This write-off is reflected in "Special charges" in the accompanying Consolidated Statement of Operations.

Reorganization Value in Excess of Amounts Allocated to Identifiable Assets

As more fully discussed in Note 3, the Company has "reorganization value in excess of amounts allocated to identifiable assets" of \$240,344 at September 30, 1996. This asset is being amortized over a 3.5 year period beginning May 31, 1996. The carrying value of the Reorganization Asset will be periodically reviewed if the facts and circumstances suggest that it may be impaired. The Company will measure the impairment based upon future cash flows of the Company over the remaining amortization period.

Other Intangibles

Other intangibles of \$21.3 million, net of accumulated amortization of \$16.1 million, at September 30, 1995, represent the purchase of the rights to provide microfilm or maintenance services to certain customers and were being amortized on a straight-line basis over 10 years. These unamortized costs were evaluated for impairment each period by determining their net realizable value. As discussed in Note 3, in connection with Fresh Start Reporting, the Company wrote-off the remaining balance of other intangibles at May 31, 1996.

Research and Development

The engineering costs associated specifically with research and development programs are expensed as incurred, and amounted to \$1.3 million for the four months ended September 30, 1996, \$2.4 million for the eight months ended May 31, 1996, \$2.2 million in 1995, and \$3 million in 1994. The Company supports several engineering processes, including basic technological research, product development and sustaining engineering support for existing customer installations. The majority of the operating costs for engineering programs in fiscal years 1995 and 1994 related to continued software development for the XFP 2000 COM recorder, which were recorded as deferred software costs.

Deferred software costs are the capitalized costs of software products to be sold in future periods with COM systems or as stand alone product for current COM systems users. The unamortized costs are evaluated for impairment each period by determining their net realizable value. Such costs are amortized over the greater of the estimated units of sale or under the straight-line method not to exceed five years. Due to lower than expected sales of new software products introduced in 1995, Anacomp revised its projected future sales and operating results of software products through 1999. As a result, during 1995 Anacomp wrote off \$20.3 million of deferred software costs and established a reserve of \$8.6 million (none of which exists at September 30, 1996) for future payments to IBM Pennant Systems for software royalty and system support obligations which are not recoverable based on these revised projections (See Note 18). These charges are reflected in "Special charges" in the accompanying Consolidated Statement of Operations for the fiscal year ended September 30, 1995. Unamortized deferred software costs remaining as of September 30, 1996 total \$4.2 million and are included in "Other assets" on the accompanying Consolidated Balance Sheets.

Sale-Leaseback Transactions

Anacomp entered into sale-leaseback transactions of \$19.3 million in 1995 and \$11.9 million in 1994 relating to COM systems installed in the Company's data service centers. Part of the proceeds were treated as fixed asset sales and the remainder as sales of equipment. Revenues of \$3.5 million and \$5.6 million were recorded for the years ended September 30, 1995 and 1994, respectively. All profits were deferred and were being recognized over the applicable leaseback periods. In connection with Fresh Start Reporting as discussed in Note 3, the deferred profit amount was reduced to zero. Concurrently, the Company established an unfavorable lease reserve related to these leases in the amount of \$8.6 million. The unfavorable lease reserve is being amortized over the

applicable lease periods.

Accrued Lease Reserves

Other noncurrent liabilities include reserves established for unfavorable facility and equipment lease commitments, vacant facilities and related future lease costs. Total obligations recorded for these unfavorable lease commitments and future lease and related costs at their estimated amounts were \$11.4 million and \$7.5 million at September 30, 1996 and 1995, respectively. The current portion of these obligations was \$6.8 million and \$2 million as of September 30, 1996 and 1995, respectively, and is included in "Other accrued liabilities" and "Accounts payable" in the accompanying Consolidated Balance Sheets.

Income Taxes

In general, Anacomp's practice has been to reinvest the earnings of its foreign subsidiaries in those operations and to repatriate those earnings only when it was advantageous to do so. In 1995, Anacomp changed its practice whereby the Company now repatriates these earnings. As a result, Anacomp recorded deferred taxes of \$8.8 million on all undistributed foreign earnings in 1995.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 mandates the liability method for computing deferred income taxes and requires that the benefit of certain loss carryforwards be estimated and recorded as an asset unless it is "more likely than not" that the benefit will not be realized. Another principal difference is that changes in tax rates and laws will be reflected in income from continuing operations in the period such changes are enacted.

Anacomp adopted FAS 109 in the first quarter of fiscal 1994. Under FAS 109, the Company recorded a significant deferred tax asset in 1994 to reflect the benefit of loss carryforwards that could not be recognized under prior accounting rules. The recording of this asset reduced goodwill and increased income as discussed in more detail in Note 17. During 1995, the valuation allowance was increased to reduce the deferred tax asset to zero as a result of the Company's deteriorating financial condition.

Consolidated Statements of Cash Flows

Anacomp considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. These temporary investments, primarily repurchase agreements and other overnight investments, are recorded at cost, which approximates market.

NOTE 2. FINANCIAL REORGANIZATION:

On May 20, 1996 (the "Confirmation Date"), the U.S. Bankruptcy Court confirmed the Company's Third Amended Joint Plan of Reorganization (the "Reorganization"), and on June 4, 1996, the Company emerged from bankruptcy. Pursuant to the Reorganization, on such date certain indebtedness of the Company was canceled in exchange for cash, new indebtedness, and /or new equity interests, certain indebtedness was reinstated, certain other prepetition claims were discharged, certain claims were settled, executory contracts and unexpired leases were assumed or rejected, and the members of a new Board of Directors of the Company were designated. The Company simultaneously distributed to creditors approximately \$22 million in cash, \$112.2 million principal amount of its 11-5/8% Senior Secured Notes due 1999 (the "Senior Secured Notes") and \$160 million principal amount of its 13% Senior Subordinated Notes due 2002 (the "Senior Subordinated Notes"), equity securities consisting of 10 million shares of new common stock and 362,694 warrants, each of which is convertible into 1.0566 shares of new common stock during the five year period ending June 3, 2001 at an exercise price of \$11.57 per share.

The process began January 5, 1996, when Anacomp filed a Prenegotiated Plan of Reorganization with the U.S. Bankruptcy Court in Delaware under Chapter 11 of the U.S. Bankruptcy Code. The Company was in default under substantially all of its debt agreements as a result of its failure to make \$89.7 million of principal payments scheduled for April 26, 1995 and October 26, 1995 on the senior secured credit facilities (including \$60 million relating to the revolving loan agreement which expired on October 26, 1995), \$11.4 million of principal and interest payments on the 9% Convertible Subordinated Debentures which were due January 15, 1996, \$34.1 million of interest payments scheduled for May 1, 1995 and November 1, 1995 on its Senior Subordinated Notes, and \$3.2 million of interest payments scheduled for July 15, 1995 and January 15, 1996 on the 13.875% Subordinated Debentures, as well as certain financial covenant violations, and the cross-default provisions of the other debt agreements.

As noted above, upon emerging from bankruptcy, the Company's Revolving

Loan, Multi-Currency Revolving Loan, Term Loans, Series B Senior Notes, 15% Senior Subordinated Notes, 13.875% Convertible Subordinated Debentures and 9% Convertible Subordinated Debentures were canceled. In addition, the Company's 8.25% Cumulative Convertible Redeemable Exchangeable Preferred Stock, Common Stock, Warrants and Stock Options were canceled. In connection therewith, the Company issued new debt and equity securities as mentioned above and described in more detail in Notes 14 and 16.

NOTE 3.

FRESH START REPORTING:

As of May 31, 1996, the Company adopted Fresh Start Reporting in accordance with SOP 90-7. Fresh Start Reporting resulted in material changes to the Consolidated Balance Sheet, including valuation of assets, intangible assets (including goodwill) and liabilities at fair market value and valuation of equity based on the appraised reorganization value of the ongoing business.

The Company's reorganization value of \$350 million (the approximate fair value) was based on the consideration of many factors and various valuation methods, including discounted cash flows, selected publicly traded Company market multiples, selected acquisition transaction multiples and other applicable ratios and valuation techniques believed by the Company's management and its financial advisors to be representative of the Company's business and industry. The excess of the reorganization value over the fair value of identifiable assets and liabilities is reported as "Reorganization value in excess of identifiable assets" in the accompanying Consolidated Balance Sheets and is being amortized over a three and a half year period. The Company obtained an independent appraisal of certain property and equipment to support the fair values of such assets.

The Reorganization and the adoption of Fresh Start Reporting resulted in the following adjustments to the Company's Consolidated Balance Sheet for the period ended May 31, 1996:

<TABLE>

<CAPTION>

(Dollars in thousands)	Predecessor Company May 31, 1996	Reorganization and Fresh Start Adjustments		Reorganized Company May 31, 1996
		Debit	Credit	

ASSETS				
<S>	<C>	<C>	<C>	<C>
Total current assets.....	\$179,457	\$ ----	\$1,881 (a)	\$177,576
Property and equipment (net).....	35,619	----	7,754 (b)	27,865
Long-term receivables.....	9,411	----	----	9,411
Excess of purchase price over net assets of businesses acquired and other intangibles.....	153,864	----	124,864 (c) 29,000 (d)	----
Reorganization value in excess of identifiable assets.....	----	267,460 (e)	----	267,460
Other assets.....	12,862	----	4,384 (f) 600 (g)	7,878
	\$391,213	\$267,460	\$168,483	\$490,190

</TABLE>

<TABLE>

<CAPTION>

(Dollars in thousands)	Predecessor Company May 31, 1996	Reorganization and Fresh Start Adjustments		Reorganized Company May 31, 1996
		Debit	Credit	

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
<S>	<C>	<C>	<C>	<C>
Current portion of long-term debt.....	\$380,554	\$379,256 (h)	\$36,076 (i)	\$37,374
Accrued interest.....	52,696	48,500 (h)	----	4,196
Accounts payable and other accrued liabilities.....	130,179	----	3,673 (j)	133,852
Total current liabilities.....	563,429	427,756	39,749	175,422
Total noncurrent liabilities.....	5,130	----	229,872 (i)	235,002
Redeemable preferred stock and accrued dividends.....	18,241	18,241 (k)	----	----
Stockholders' equity (deficit):				
Common stock.....	484	484 (l)	100 (m)	100
Capital in excess of par value.....	190,607	190,607 (l)	79,666 (m)	79,666
Cumulative translation adjustment.....	(231)	----	231 (l)	----
Retained earnings (deficit).....	(386,447)	29,000 (d)	334,005 (l) 81,442 (n)	----
=====				

</TABLE>

Explanations of the above adjustment columns are as follows:

- a) To adjust current assets to fair market value.
- b) To adjust property and equipment to estimated current fair value.
- c) To reflect the write-off of excess of purchase price over net assets of businesses acquired and other intangibles.
- d) To provide income tax expense for gain on discharge of indebtedness, reflected as a reduction in the goodwill of the Predecessor Company related to the utilization of pre-acquisition NOLs.
- e) To establish the reorganization value in excess of identifiable assets. The reorganization value in excess of identifiable assets is calculated below (in thousands):

New debt	\$270,234
New equity	79,766
Reorganization Value	350,000
Plus: Fair value of identifiable liabilities	140,190
Less: Fair value of identifiable assets	(222,730)
	\$267,460

- f) To adjust other long-term assets to fair market value.
- g) To write-off the remaining debt issue costs.
- h) To reflect the cancellation of the old debt and related accrued interest.
- i) To reflect issuance of new current and long-term debt.
- j) To adjust current liabilities to fair market value.
- k) To reflect the cancellation of the old preferred stock.
- l) To reflect the elimination of stockholders' equity of the Predecessor Company.
- m) To reflect the issuance of 10 million shares of new common stock (par value \$.01) at estimated fair market value.
- n) To reflect the extraordinary credit resulting from discharge of indebtedness. The extraordinary credit, net of taxes, is calculated below (in thousands):

Historical carrying value of old debt securities	\$379,256	Historical carrying value of related accrued interest	48,500
Unamortized portion of deferred debt issuance costs (600)		Market value of consideration exchanged for the old debt:	
Plan securities (face value \$279,691)	(265,948)		
New common stock (10 million new shares issued)	(79,766)		
			81,442
Tax provision (d)			(29,000)
Extraordinary credit			\$ 52,442

The following Pro Forma Condensed Financial Information for the twelve months ended September 30, 1996 and 1995, have been prepared giving effect to the sale of the Image Conversion Services ("ICS") Division and the adjustments related to the consummation of the Reorganization for interest expense and intangible asset amortization. The Condensed Financial Information was prepared as if the Pro Forma adjustments had occurred on October 1, 1995 and October 1, 1994, respectively. This information does not purport to be indicative of the results which would have been obtained had such transactions in fact been completed as of the date hereof and for the periods presented or that may be

obtained in the future.

Anacomp, Inc. and Subsidiaries
Pro Forma Condensed Financial Information

<TABLE>
<CAPTION>

	Pro Forma Twelve Months Ended September 30, 1996	Pro Forma Twelve Months Ended September 30, 1995
(Dollars in thousands)		
<S>	<C>	<C>
Total Revenues	\$484,637	\$ 569,668
Operating costs and expenses	493,291	763,514
Loss before interest, other income, reorganization items, income taxes and extraordinary credit	(8,654)	(193,846)
Interest expense and fee amortization	(41,327)	(44,301)
Net loss available to common stockholders	(53,713)	(277,346)

</TABLE>

NOTE 4.
REORGANIZATION ITEMS:

In accordance with SOP 90-7, expenses of the Predecessor Company resulting from the Chapter 11 Reorganization are reported separately as reorganization items in the accompanying Consolidated Statement of Operations, and are summarized below:

<TABLE>
<CAPTION>

	May 31, 1996 Eight Months Ended
(Dollars in thousands)	
<S>	<C>
Write-off of deferred debt issue costs and discounts	\$ (17,551)
Adjustment of assets and liabilities to fair market value	124,903
Legal and professional fees associated with bankruptcy	(14,944)
Interest earned on accumulated cash	431
	\$ 92,839

</TABLE>

NOTE 5.
SALE OF ICS DIVISION:

Effective November 1, 1995, Anacomp sold its ICS Division for approximately \$13.5 million, which resulted in a net gain to the Company of \$6.2 million that is reflected in other income (expense) in the accompanying Consolidated Statement of Operations. The proceeds from this sale were used to reduce the principal balance on certain senior debt. The ICS Division performed source document microfilm services at several facilities around the country generating approximately \$20 million of revenues per year.

NOTE 6.
RESTRUCTURING CHARGES:

Included in the operating results for 1995 are restructuring charges of \$32.7 million. These charges were the result of the Company's reassessment of its strategy for ongoing financial improvement and a decision to downsize or exit certain areas of its business. Specifically, the Company closed its Omaha, Nebraska magnetic media manufacturing facility, exited the manufacture of readers and reader/printers at its San Diego, California manufacturing facility and reduced headcount worldwide. The restructuring charges included severance costs of \$5.9 million, which included personnel related to magnetics media manufacturing, reader and reader/printer manufacturing and other various personnel associated with the worldwide headcount reduction. Approximately 400 people were terminated pursuant to these plans. Also included in restructuring charges were inventory write downs of \$9.1 million, excess facility reserves of \$7.7 million and other reserves of \$10 million. The Company completed these restructuring activities during fiscal 1996. The actual costs associated with the restructuring did not vary significantly from the previously reported amounts.

NOTE 7.
FINANCIAL RESTRUCTURING COSTS:

On April 6, 1995, Anacomp announced that it had withdrawn its proposed offering of \$225 million Senior Secured Notes and a related offer to purchase up to \$50 million of the Company's outstanding 15% Senior Subordinated Notes. The offering would have deferred an aggregate of \$153 million in scheduled principal payments in fiscal years 1995 through 1998, thereby providing Anacomp with increased liquidity and additional cash for product development. Costs directly related to these activities of \$6 million are included as "Financial restructuring costs" in the accompanying Consolidated Statements of Operations for fiscal year 1995.

NOTE 8.
EXCESS OF PURCHASE PRICE OVER NET ASSETS
OF BUSINESSES ACQUIRED (GOODWILL):

Goodwill related to the micrographics business as of September 30 is summarized as follows (dollars in thousands):

<TABLE>

<CAPTION>

	Reorganized Company	Predecessor Company
	-----	-----
	1996	1995
<S>	<C>	<C>
Goodwill	\$2,419	\$315,561
Less goodwill write-off	----	(108,000)
Less accumulated amortization	(134)	(73,988)
	\$2,285	\$133,573

</TABLE>

Anacomp failed to achieve its original projections of fiscal 1995 operating results and experienced lower than expected sales of new software products first introduced in January 1995. In light of Anacomp's withdrawn note offering, disappointing financial performance and default on its indebtedness, the Company prepared a revised business plan and operating forecast through 1999.

Based on these developments and in connection with the change in accounting discussed in Note 1, Anacomp determined that goodwill had been impaired and measured the impairment based on a fair value approach. As required by generally accepted accounting principles, this accounting change, which amounted to a charge of \$108 million, was recorded as a change in estimate and was included in the results of operations for the quarter ended June 30, 1995.

NOTE 9.
FAIR VALUES OF FINANCIAL INSTRUMENTS:

Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value information for certain financial instruments. The carrying amounts for trade receivables and payables are considered to be their fair values. The carrying amounts and fair values of the Company's other financial instruments at September 30, 1996, and 1995, are as follows:

<TABLE>

<CAPTION>

(Dollars in thousands)	Reorganized Company September 30, 1996		Predecessor Company September 30, 1995	
	Carry Amount	Fair Value	Carry Amount	Fair Value
Long-Term Debt:				
<S>	<C>	<C>	<C>	<C>
11-5/8% Senior Note	\$ 97,902	\$ 97,902	\$ ----	\$ ----
Revolving Loan	----	----	31,328	31,328
Multicurrency Revolving Loan	----	----	28,813	28,813
Term Loans	----	----	13,039	13,039
Series B Senior Notes	----	----	58,908	58,908
13% Senior Subordinated Note	147,058	163,829	----	----
15% Senior Subordinated Notes	----	----	220,281	181,224
13.875% Convertible Subordinated Debentures	----	----	21,155	4,376
9% Convertible Subordinated Debentures	----	----	10,479	1,880
Redeemable Preferred Stock	----	----	24,574	----

</TABLE>

The September 30, 1996 estimated fair value of Long-Term Debt was based on quoted market values or discounted cash flow.

The September 30, 1995 estimated fair values of Long-Term Debt and Redeemable Preferred Stock were based on a restructuring proposal prepared as a

result of discussion and negotiations with representatives of the lenders at that time in connection with a "prepackaged" plan of reorganization.

NOTE 10.
ACQUISITIONS:

During the three years ended September 30, 1996, Anacomp made the acquisitions set forth below, each of which has been accounted for as a purchase. The consolidated financial statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant.

Fiscal 1996

During fiscal 1996, Anacomp acquired certain assets of a micrographics equipment and supplies business. The acquisition was effective July 15, 1996 and total consideration was \$4.3 million, of which approximately \$2.4 million was assigned to excess of purchase price over net assets acquired. The consideration consisted of \$3.8 million in cash and a one-year note payable of \$500,000 which accrues interest at prime plus 2.75%.

Fiscal 1995

During fiscal 1995, Anacomp made no significant acquisitions.

Fiscal 1994

During fiscal 1994, Anacomp acquired 16 data service centers or the related customer base (all were incorporated with existing Anacomp service centers), a magnetics media manufacturing company and the customer base of a micrographics supplies business. Total consideration for these acquisitions was \$39.1 million, of which approximately \$24.2 million was assigned to excess of purchase price over net assets of businesses acquired and other intangible assets. In connection with these acquisitions, Anacomp issued \$17.2 million of its common stock and increased debt and accrued liabilities by \$4.3 million.

National Business Systems

One of the acquisitions included above was the purchase of the COM services customer base of 14 data service centers operated by National Business Systems, Inc. ("NBS"). The acquisition was effective on January 3, 1994, and the acquisition cost consisted of the following (dollars in thousands):

Cash paid to NBS shareholders	\$ 7,400
Common stock issued to NBS shareholders	7,400
Acquisition costs incurred	416
	\$ 15,216

Anacomp issued 1,973,000 common shares to the NBS shareholders at a price of \$3.75 per share. As part of the acquisition agreement, Anacomp agreed to provide stock price protection at the end of two years on those shares so designated by the NBS shareholders (1,128,000 of the shares issued were subject to this protection). Related to this price protection, on February 15, 1996, Anacomp issued 1,127,143 additional shares of stock to NBS shareholders. As a result of the Reorganization, discussed in Note 2, this price protection is no longer in effect.

Graham Magnetics

Another of the acquisitions included above was the purchase of Graham Acquisition Corporation ("Graham"), a magnetics media manufacturing company. The acquisition was effective on May 4, 1994, and the acquisition cost consisted of the following (dollars in thousands):

<TABLE>
<CAPTION>

<S>	<C>
Common stock issued to Graham shareholders.....	\$ 8,515
Common stock issued for a note payable.....	1,286
Issuance of note payable to a creditor.....	4,240
Cash paid to retire bank debt.....	5,540
Acquisition costs incurred.....	689

</TABLE>

Anacomp issued 2,129,000 common shares to the Graham shareholders based on an agreed upon per share price. However, to determine the acquisition cost, the shares were valued at the market price on the date of closing.

Contingent consideration of \$7.6 million was payable in Anacomp common stock and was based upon defined future earnings through September 1997. The contingent consideration amount was \$144,000 for fiscal 1994 and zero for fiscal 1995. As a result of the Reorganization, discussed in Note 2, this contingency is no longer in effect.

Anacomp also issued 360,000 common shares to a Graham creditor at \$3.57 per share to reduce the note payable to \$4.2 million. The note was unsecured and bore interest at 10%. Principal payments of \$345,000 plus accrued interest were payable quarterly beginning July 15, 1994. The note holder could at any time require Anacomp to prepay any amount of the note by issuing common stock. The shares of common stock to be issued were equal to the prepayment amount divided by \$3.57. In connection with the Plan of Reorganization, the original note was canceled and a new promissory note was issued in the amount of \$1.2 million. The note did not bear interest and was payable in two installments; \$800,000 due within thirty days of the effective date of the bankruptcy, and \$400,000 due on or before October 30, 1996. The outstanding note balance was \$400,000 and \$2.5 million at September 30, 1996 and 1995, respectively. The note was paid off subsequent to September 30, 1996.

NOTE 11.
SKC AGREEMENT:

Anacomp has entered into a supply agreement (the "Supply Agreement") with SKC America, Inc., a New Jersey corporation ("SKCA"), and SKC Limited ("SKCL"), an affiliated corporation of SKCA organized pursuant to the laws of the Republic of Korea. SKCA and SKCL are collectively referred to as "SKC". The Supply Agreement expires in December 2003. Pursuant to the Supply Agreement, Anacomp purchases substantially all of its requirements for coated duplicate microfilm from SKC. Pursuant to the Supply Agreement, SKC also provides the Company with a substantial portion of its polyester requirements for its magnetic media products.

In connection with the Supply Agreement, SKC also provided the Company with a \$25 million trade credit facility (secured by up to \$10 million of products sold to the Company by SKC), all of which is outstanding at September 30, 1996. The trade credit arrangement bears interest at 2.5% over the prime rate of The First National Bank of Boston (10.75% as of September 30, 1996).

In connection with an amendment to the Supply Agreement as of the effective date under the Plan of Reorganization, the Company agreed to certain price increases, retroactive to 1994, and agreed to make the following deferred payments related to the retroactive price increases to SKC (which are accrued in "Other accrued liabilities" in the accompanying Consolidated Balance Sheets): (a) \$400,000 in 1997; (b) \$600,000 in 1998; (c) \$800,000 in 1999; (d) \$800,000 in 2000; and (e) 1,000,000 in 2001.

NOTE 12.
PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

(Dollars in thousands)	September 30,	Estimated Useful Life in Years	Reorganized Company 1996	Predecessor Company 1995
<S>		<C>	<C>	<C>
Land and buildings.....		10 - 40	\$ 3,148	\$ 5,283
Office furniture.....		3 - 12	2,499	12,141
Manufacturing equipment and tooling.....		2 - 10	4,161	31,351
Field support spare parts.....		4 - 7	5,852	21,764
Leasehold improvements.....		Term of Lease	852	10,782
Equipment leased to others.....		2 - 4	467	1,838
Processing equipment.....		3 - 12	13,819	58,722
			30,798	141,881
Less accumulated depreciation and amortization.....			(3,696)	(96,898)
			\$27,102	\$ 44,983

</TABLE>

NOTE 13.
LONG-TERM RECEIVABLES:
<TABLE>
<CAPTION>

Long-term receivables consist of the following:

(Dollars in thousands)	September 30,	Reorganized Company 1996	Predecessor Company 1995
<S>		<C>	<C>
Lease contracts receivable.....		\$ 12,546	\$ 15,678
Notes receivable from asset sales.....		2,260	2,619
Other.....		516	411
		15,322	18,708
Less current portion.....		(4,690)	(6,386)
		\$ 10,632	\$ 12,322

</TABLE>

Lease contracts receivable result from customer leases of products under agreements which qualify as sales-type leases. Annual future lease payments to be received under sales-type leases are as follows:

<TABLE>
<CAPTION>

(Dollars In thousands)	Year ended September 30,	<C>
<S>		
1997.....		\$ 5,540
1998.....		4,503
1999.....		2,805
2000.....		1,370
2001.....		566
		14,784
Less deferred interest.....		(2,238)
		\$12,546

</TABLE>

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NOTE 14.
LONG-TERM DEBT:
Long-term debt is comprised of the following:

<TABLE>
<CAPTION>

(Dollars in thousands)	September 30,	Reorganized Company 1996	Predecessor Company 1995
<S>		<C>	<C>
11-5/8% Senior Secured Notes.....		\$ 97,902	\$ ----
13% Senior Subordinated Notes (net of unamortized discount of \$12,942)		147,058	----
Revolving Loan at 8.63%.....		----	31,328
Multicurrency Revolving Loan at 8.44%.....		----	28,813
Term Loans at 8.56%.....		----	13,039
Series B Senior Notes at 12.25%.....		----	58,908
15% Senior Subordinated Notes (net of unamortized discount of \$4,619).....		----	220,281
13.875% Convertible Subordinated Debentures (net of unamortized discount of \$2,077).....		----	21,155
9% Convertible Subordinated Debentures		----	10,479
Non-interest bearing installment note payable due October 30, 1996.....		400	2,513
Other.....		3,532	3,384
		248,892	389,900
Less current portion.....		(31,848)	(389,900)
		\$217,044	\$ ----

</TABLE>

Senior Secured Notes

In connection with the Reorganization, the Company issued \$112.2 million aggregate principal amount of 11- 5/8% Senior Secured Notes due September 30, 1999. Interest is payable on March 31 and September 30 each year. The Company pre-paid the September 30, 1996, installment of \$14.3 million on September 3, 1996. The Company is required to redeem the remaining notes at par on each interest payment date according to the following schedule (in thousands):

March 31, 1997	\$14,286
September 30, 1997	16,163
March 31, 1998	16,161
September 30, 1998	17,100
March 31, 1999	17,100
September 30, 1999	17,092

\$97,902

The Senior Secured Notes are redeemable at the option of the Company, in whole or in part, at any time, at 100% of the principal amount thereof, plus accrued and unpaid interest. The Company is required in certain circumstances to make offers to purchase the Senior Secured Notes then outstanding at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain sales or other distributions of assets by the Company or certain of its subsidiaries. Also, upon a change of control, the Company is required to make an offer to purchase the Senior Secured Notes then outstanding at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

The Senior Secured Notes are senior secured obligations of the Company and will rank pari passu with all other existing and future senior obligations of the Company, and senior to all existing and future subordinated or junior indebtedness of the Company. The collateral securing the Senior Secured Notes consists of substantially all of the assets of the Company and all future acquired assets of the Company to the extent such assets are acquired by the Company without secured financing.

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The indenture related to the Senior Secured Notes contains covenants limiting among other things, (i) the incurrence of additional indebtedness by the Company and certain of its subsidiaries, (ii) the payment of dividends on, and the redemption of, capital stock of the Company and certain of its subsidiaries, (iii) the redemption of certain subordinated obligations of the Company and certain of its subsidiaries and the making of certain investments by the Company and certain of its subsidiaries, (iv) the sale by the Company and certain of its subsidiaries of assets and certain subsidiary stock, (v) transactions between the Company and its affiliates, (vi) liens on the collateral securing the Senior Secured Notes, (vii) consolidations and mergers and transfers of all or substantially all of the Company's and certain of its subsidiaries' assets and (viii) capital expenditures. All of the limitations and prohibitions are subject to a number of qualifications and exceptions.

The indenture also contains a covenant requiring the Company to maintain a minimum interest coverage ratio. At September 30, 1996, the Company was in compliance with all covenants under the Senior Secured Notes indenture.

Senior Subordinated Notes

In connection with the Reorganization, the Company issued \$160 million aggregate principal amount of 13% Senior Subordinated Notes due June 2002. This debt was recorded at its estimated fair value of \$146.3 million. The difference between the aggregate principal amount and the fair value of the debt will be amortized as a charge to interest expense over the life of the debt. Interest is payable on June 30 and December 31 each year, beginning on December 31, 1996. For the interest payable on December 31, 1996 and June 30, 1997, the Company will provide Payment-In-Kind ("PIK") notes in satisfaction of its interest obligation rather than a cash settlement. The PIK notes will have a principal amount corresponding to the amount of interest due on the notes on the related interest payment date.

The Company is required to redeem prior to June 30, 2001 the principal amount of the Senior Subordinated Notes equal to the aggregate principal amount of PIK notes issued prior to such date, plus any accrued and unpaid interest on the PIK notes, at a redemption price equal to the price that would be then applicable in the case of an optional redemption. The remaining Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time, at various redemption prices ranging from 103% to 101.5% of the principal amount thereof through December 31, 2001. Thereafter, the Senior Subordinated Notes may be redeemed at the aggregate principal amount thereof. Also, upon a change in control, the Company is required to make an offer to purchase the Senior Subordinated Notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and rank pari passu with all other existing and future subordinated obligations of the Company. The payment of principal and interest is subordinated and subject to the prior payment in full of the Company's senior indebtedness.

The indenture related to the Senior Subordinated Notes contains covenants limiting, among other things, (i) the incurrence of additional indebtedness by the Company and certain of its subsidiaries, (ii) the payment of dividends on, and the redemption of, capital stock of the Company and certain of its subsidiaries, (iii) the redemption of certain subordinated obligations of the Company and certain of its subsidiaries and the making of certain investments of the Company and certain of its subsidiaries, (iv) the sale by the Company and certain of its subsidiaries of assets and certain subsidiary stock, (v) transactions between the Company and its affiliates, (vi) sale/leaseback transactions by the Company and certain of its subsidiaries, (vii)

consolidations and mergers and transfers of all or substantially all of the Company's and certain of its subsidiaries' assets and (viii) capital expenditures. All of the limitations and prohibitions are subject to a number of qualifications and exceptions. The indenture also contains a covenant requiring the Company to maintain a minimum interest coverage ratio. At September 30, 1996, the Company was in compliance with all covenants under the Senior Subordinated Notes indenture.

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NOTE 15.

REDEEMABLE PREFERRED STOCK:

Anacomp issued 500,000 shares of 8.25% Cumulative Convertible Redeemable Exchangeable Preferred Stock (the "Preferred Shares") in a 1987 private placement. Each Preferred Share had a preference value of \$50 and was convertible into Anacomp common stock at a conversion price of \$7.50. The Preferred Shares were recorded at fair value on the date of issuance less issue costs. The excess of the preference value over the carrying value was accreted by periodic charges to retained earnings over the original life of the issue. At September 30, 1995, 500,000 shares were issued and outstanding. In connection with the Reorganization discussed in Note 2, the Preferred Shares were canceled.

NOTE 16.

CAPITAL STOCK:

Reorganized Company

Preferred Stock

The Board of Directors of the Company has the ability, at its discretion, to create one or more series of Preferred Stock and shall determine the preferences, limitations, and relative voting and other rights of one or more series of Preferred Stock.

Stock Option Plans

On July 22, 1996, the Company's Board of Directors approved the 1996 Restructure Recognition Incentive Plan. Under this plan, effective August 22, 1996, the Company awarded to employees 947,500 stock options to acquire new common stock and 99,050 shares of restricted new common stock.

With regard to the stock options, the options were granted an exercise price of \$4.63 per share of new common stock which will result in approximately \$3.2 million of compensation expense over the vesting period of the options based on the market value of the stock at August 22, 1996. 75% of the options vest ratably during the period from June 30, 1997 to June 30, 1999. 25% of the options vest on September 30, 1999, provided certain performance goals have been met; otherwise the options vest on June 30, 2003. During 1996, approximately \$975,000 was recognized as compensation expense related to the options. The options expire 10 years after the date of the grant. As of September 30, 1996, none of the options were exercisable.

With regard to the restricted shares of new common stock, the shares vest immediately and thus the Company recognized approximately \$0.8 million of compensation expense immediately upon granting the award based on the market value of the Company's stock on August 22, 1996. The shares are restricted from sale or transfer by the recipient employees until September 30, 1997. Effective December 6, 1996, 34,650 shares of restricted stock were returned by employees to the Company.

In addition, on August 22, 1996, the Company's Board of Directors approved the 1996 Long-Term Incentive Plan, which provides for the future issuance of various forms of stock related awards including options, stock appreciation rights and restricted shares. The Company has reserved 1,400,000 shares of new common stock for future issuance under this plan. Future awards, including the nature of the awards and related exercise prices, are to be determined at the discretion of the Compensation Committee of the Board of Directors in accordance with the plan provisions. As of September 30, 1996, no awards were issued related to this plan. Subsequent to September 30, 1996, 438,179 stock option awards were made to certain Executive Officers and Non-Employee Directors. At current market value on the date of grant.

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Warrants

In connection with the Reorganization discussed in Note 2, Anacomp issued 362,694 new warrants to certain creditors and previous common and preferred stockholders. Each new warrant was convertible into one share of new common

stock at an exercise price of \$12.23 per share. In connection with the rights offering discussed in Note 25, each new warrant is now convertible into 1.0566 shares of new common stock at an exercise price of \$11.57 per share. The new warrants expire on June 3, 2001.

Other Items

At September 30, 1996, approximately 1.3 million shares of Anacomp new common stock were reserved for exercise of stock options, exercise of warrants and other corporate purposes.

Predecessor Company

Stock Option Plans

Anacomp's stock option plans provided that the exercise price of the options be determined by the Board of Directors (the "Board"), and in no case be less than 100% of fair market value at the time of grant for qualified options, or less than the par value of the stock for non-qualified options. An option could be exercised subject to such restrictions as the Board may impose at the time the option was granted. In any event, each option terminated not later than 10 years after the date on which it was granted.

No shares were available for grant at May 31, 1996. Shares available for grant under the plans were 1,401,328 and 725,827 at September 30, 1995 and 1994, respectively. Options outstanding, were as follows:

<TABLE>

<CAPTION>

	Shares	Option Per Share	Price
<S>	<C>	<C>	<C>
Outstanding at September 30, 1993.....	4,414,528	\$ 1.000	- \$9.000
Granted.....	205,381	2.750	- 4.000
Canceled.....	(81,908)	1.000	- 7.875
Expired.....	(23,096)	2.000	- 7.875
Exercised.....	(306,646)	1.000	- 3.375
Outstanding at September 30, 1994.....	4,208,259	1.000	- 9.000
Granted.....	1,355,736	.563	- 2.500
Canceled.....	(2,010,753)	.563	- 4.750
Expired.....	(20,484)	2.000	- 4.500
Exercised.....	(24,863)	.563	- 2.000
Outstanding at September 30, 1995.....	3,507,895	.563	- 9.000
Granted.....	677,181	.313	- .313
Canceled.....	(4,182,076)	.313	- 9.000
Expired.....	(3,000)	2.000	- 3.500
Outstanding at May 31, 1996.....	----	\$ ----	- \$ ----

</TABLE>

All options existing at May 31, 1996 were canceled in connection with the Company's Reorganization discussed in Note 2.

Warrants

In October 1990, Anacomp issued 6,825,940 warrants ("Old Warrants") to holders of the 15% Senior Subordinated Notes. Each Old Warrant entitled the holder to purchase one common share at a price of \$1.873 and was exercisable through November 11, 2000, the date of expiration. In connection with the Reorganization discussed in Note 2, the Old Warrants were canceled.

NOTE 17.

INCOME TAXES:

The components of income (loss) before income taxes and extraordinary credit were:

<TABLE>

<CAPTION>

	Reorganized Company		Predecessor Company	
	Four Months Ended September 30, 1996	Eight Months Ended May 31, 1996	Twelve Months Ended September 30, 1995 1994	
(Dollars in thousands)	September 30, 1996	May 31, 1996	1995	1994
<S>	<C>	<C>	<C>	<C>
United States.....	\$ (21,602)	\$112,100	\$ (209,151)	\$7,143

Foreign.....	3,993	4,128	5,825	8,212
	\$(17,609)	\$116,228	\$(203,326)	\$15,355

</TABLE>

The components of income tax expense after utilization of net operating loss carryforwards and the adjustment of tax reserves are summarized below:

<TABLE>

<CAPTION>

(Dollars in thousands)	Reorganized Company		Predecessor Company	
	Four Months Ended	Eight Months Ended	Twelve Months Ended September 30,	
	September 30, 1996	May 31, 1996	1995	1994
Current:				
<S>	<C>	<C>	<C>	<C>
Federal.....	\$ 600	\$ ---	\$ ----	\$ ----
Foreign.....	2,400	3,700	4,800	3,300
State.....	100	---	----	300
	3,100	3,700	4,800	3,600
Tax reserve adjustment.....	---	---	1,200	(1,200)
Non-cash charge in lieu of taxes	1,300	----	29,000	6,000
	\$ 4,400	\$3,700	\$35,000	\$8,400

</TABLE>

In addition, for the eight months ended May 31, 1996, there was an additional expense of \$29 million related to the tax liability associated with the gain on discharge of indebtedness. This liability was offset by the utilization of net operating loss carryforwards ("NOLs"). See Note 3 for further discussion.

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<TABLE>

<CAPTION>

The following is a reconciliation of income taxes calculated at the United States federal statutory rate to the provision for income taxes:

(Dollars in thousands)	Reorganized Company		Predecessor Company	
	Four Months Ended	Eight Months Ended	Twelve Months Ended September 30,	
	September 30, 1996	May 31, 1996	1995	1994
<S>	<C>	<C>	<C>	<C>
Provision for income taxes at U.S. statutory rate.....	(6,200)	\$ 40,700	\$(71,200)	\$ 5,374
Non taxable reorganization income.....	----	(43,700)	---	----
Increase in deferred tax asset valuation allowance.....	----	----	51,400	----
Nondeductible amortization and write-off of intangible assets.	8,300	2,500	40,500	3,175
State and foreign income taxes.....	1,200	2,300	2,800	821
U.S. tax on distributed and undistributed foreign earnings...	----	----	12,300	----
Tax reserve adjustment.....	----	----	1,200	(1,200)
Tax effect of pre-reorganization loss not available due to ownership change.....	----	2,100	----	----
Alternative minimum tax.....	1,000	----	----	----
Other.....	100	(200)	(2,000)	230
	\$ 4,400	\$ 3,700	\$ 35,000	\$ 8,400

</TABLE>

The Company adopted FAS 109 in the first quarter of fiscal 1994 and recorded a deferred tax asset of \$95 million representing the federal and state tax savings from NOLs and tax credits. The Company also recorded a valuation allowance of \$60 million reducing the deferred tax asset to a net \$35 million. Recognition of the deferred tax asset reduced goodwill by \$27 million and provided a cumulative effect increase to income of \$8 million. During 1994, the net deferred tax asset was reduced to \$29 million, reflecting usage of the asset to reduce income taxes payable by \$6 million. During 1995, tax effects of future differences and carryforwards increased from \$86 million to \$108.4 million, an increase of \$22.4 million resulting from the tax effect of the 1995 taxable loss (\$5.6 million) and the tax effect of an increase in cumulative temporary differences (\$16.8 million) between income reported for financial reporting purposes and for tax purposes. The valuation allowance was increased from \$57

million to \$108.4 million to reduce the net deferred tax asset to zero as a result of the uncertainty associated with the utilization of these assets in future periods due to the Company's deteriorating financial condition prior to the bankruptcy.

During 1996, tax effects of future differences and carryforwards decreased from \$108.4 million to \$85.4 million, a decrease of \$23 million resulting primarily from the tax effect of a reduction in the Reorganized Company's NOLs due to cancellation of indebtedness in connection with the bankruptcy reorganization (\$24.5 million) and the tax effect of the 1996 taxable income (\$8.5 million) offset by an increase in tax credits, principally foreign tax credits (\$9 million).

The components of deferred tax assets and liabilities at September 30, 1996 and September 30, 1995 are as follows:

<TABLE>

<CAPTION>

Net Deferred Tax Asset (Dollars in thousands)	Reorganized Company September 30, 1996	Predecessor Company September 30, 1995

Tax effects of future tax deductible differences related to:		
<S>	<C>	<C>
Inventory reserves.....	\$ 7,000	\$ 5,700
Depreciation.....	1,600	1,700
Building reserves.....	500	1,800
EPA reserve.....	2,500	2,500
Sale/leaseback of assets.....	700	2,800
Restructuring activities.....	1,200	8,000
Asset sale.....	2,600	3,200
Capitalized software.....	----	1,600
Bad debt reserve.....	1,800	2,100
Other net deductible differences.....	7,800	5,500
Tax effects of future differences related to:		
Undistributed foreign earnings.....	----	(8,800)
Leases.....	(2,100)	(3,300)
Capitalized software.....	(2,700)	----
Net tax effects of future differences	20,900	22,800
Tax effects of carryforward benefits:		
Federal net operating loss carryforwards.....	47,900	78,600
Federal general business tax credits.....	3,600	3,000
Foreign tax credits.....	13,000	4,000
Tax effects of carryforwards	64,500	85,600
Tax effects of future taxable differences and carryforwards.....	85,400	108,400
Less deferred tax asset valuation allowance.....	(85,400)	(108,400)
Net deferred tax asset.....	\$ ----	\$ ----

</TABLE>

At September 30, 1996, the Reorganized Company has NOLs of approximately \$133 million available to offset future taxable income. This amount will increase to \$191 million as certain temporary differences reverse in future periods. Usage of these NOLs by the Reorganized Company is limited to approximately \$4 million annually. However, the Reorganized Company may authorize the use of other tax planning techniques to utilize a portion of the remaining NOLs before they expire. In any event, the Reorganized Company expects that substantial amounts of the NOLs will expire unused.

The Reorganized Company has tax credit carryforwards of approximately \$16.6 million. These tax credits are principally foreign tax credit carryforwards resulting from inclusion of the accumulated earnings and profits of the Reorganized Company's foreign subsidiaries in U.S. taxable income in 1996. The Reorganized Company expects that these credits will expire unused.

The tax benefits of pre-reorganization net deferred tax assets will be reported first as a reduction of "Reorganization value in excess of identifiable assets" and then as a credit to equity. These tax benefits will not reduce income tax expense.

NOTE 18.
COMMITMENTS AND CONTINGENCIES:

Anacomp has commitments under long-term operating leases, principally for building space and data service center equipment. Lease terms generally cover periods from five to twelve years. The following summarizes the future minimum lease payments under all noncancelable operating lease obligations, including

the unfavorable lease commitments and vacant facilities discussed in Note 1, which extend beyond one year:

(Dollars in thousands)	Year ended September 30,
1997.....	\$ 18,307
1998.....	14,350
1999.....	5,561
2000.....	2,087
2001.....	1,097
2002 and thereafter.....	7,387
	48,789

Less liabilities recorded as of September 30, 1996 related to unfavorable lease commitments and future lease costs for vacant facilities (\$6,831 reflected in current liabilities) (11,439)

\$ 37,350

The total of future minimum rentals to be received under noncancelable subleases related to the above leases is \$1.2 million. No material losses in excess of the liabilities recorded are expected in the future.

In November 1993, Anacomp and Pennant Systems, a division of IBM, announced a joint effort to develop software which will allow Anacomp's XFP 2000 to process and image IBM Advanced Function Presentation ("AFP") formatted data. This program resulted in the XFP 2000 being able to output AFP data streams, including those containing fonts, logos, signatures and other images, onto microfiche.

As consideration for the development of the AFP, Anacomp paid Pennant Systems a development fee of \$6.5 million. Anacomp was also required to pay Pennant Systems minimum annual royalty payments for the licensed system installations for six years and for ongoing system support which began in December 1995 and continued for 10 years. As of September 30, 1995, Anacomp established a reserve of \$7.7 million for future payments to Pennant Systems for software royalty and systems support obligations which were not recoverable as more fully discussed in Note 1. In connection with the Company's financial restructuring during 1996, this contract was renegotiated with Pennant and, accordingly, no reserve requirements exist at September 30, 1996. The renegotiated contract requires Anacomp to make future license fee payments to Pennant Systems of \$625,000 annually through fiscal year 1999.

The Company sold \$10.5 million and \$5.9 million of lease receivables in the twelve months ended September 30, 1995 and 1994, respectively. Under the terms of the sale, the purchasers have recourse to the Company should the receivables prove to be uncollectable. The amount of recourse at September 30, 1996 is \$5.3 million.

Anacomp also is involved in various claims and lawsuits incidental to its business and management believes that the outcome of any of those matters will not have a material adverse effect on its consolidated financial position or results of operations.

NOTE 19.
SUPPLEMENTARY INCOME STATEMENT INFORMATION:

<TABLE>
<CAPTION>

(Dollars in thousands)	Reorganized Company	Predecessor Company		
	Four Months Ended	Eight Months Ended	Twelve Months Ended	
	September 30, 1996	May 31, 1996	September 30, 1995	September 30, 1994
<S>	<C>	<C>	<C>	<C>
Maintenance and repairs.....	\$ 3,505	\$ 7,243	\$ 16,609	\$ 12,759
Depreciation and amortization:				
Property and equipment.....	3,696	8,573	19,406	17,524
Deferred software costs.....	297	1,883	3,449	3,673
Intangible assets.....	25,853	6,841	13,143	13,418
Rent and lease expense.....	5,936	13,958	23,755	19,371

</TABLE>

NOTE 20.
 OTHER ACCRUED LIABILITIES:
 <TABLE>
 <CAPTION>

Other accrued liabilities consist of the following:

(Dollars in thousands)	September 30,	Reorganized Company 1996	Predecessor Company 1995
<S>		<C>	<C>
Deferred profit on sale/leaseback transactions.....		\$ ----	\$ 14,559
Unfavorable lease commitment related to sale/leaseback transactions.....		4,550	----
EPA reserve.....		6,961	7,350
Software license reserve.....		----	7,672
Other.....		25,303	31,006
		\$36,814	\$ 60,587

</TABLE>

Xidex Corporation, a predecessor company of Anacomp, was designated by the United States Environmental Protection Agency ("EPA") as a potentially responsible party for investigatory and cleanup costs incurred by state and federal authorities involving locations included on a list of EPA's priority sites for investigation and remedial action under the federal Comprehensive Environmental Response, Compensation, and Liability Act. The EPA reserve noted above relates to its estimated liability for cleanup costs for the aforementioned locations and other sites. No material losses are expected in excess of the liabilities recorded above.

NOTE 21.
 EARNINGS (LOSS) PER SHARE:

The computation of earnings (loss) per share is based upon the weighted average number of common shares outstanding during the period plus (in periods in which they have a dilutive effect) the effect of common shares contingently issuable, primarily from stock options and exercise of warrants. Fully diluted earnings (loss) per share also reflect additional dilution related to stock options due to the use of the market price at the end of the period, when higher than the average price for the period. For the four months ended September 30, 1996, only primary earnings per share is presented due to the loss reported for the period.

The weighted average number of common shares outstanding and net income (loss) per common share for periods prior to May 31, 1996 have not been presented because, due to the Reorganization and implementation of Fresh Start Reporting, they are not comparable to subsequent periods.

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The weighted average number of common and common equivalent shares used to compute earnings per share is:

Four Months Ended September 30,	1996
Common and common equivalent shares.....	10,033,576

NOTE 22.
 INTERNATIONAL OPERATIONS:

Anacomp's international operations are conducted principally through subsidiaries, a substantial portion of whose operations are located in Western Europe. Information as to U.S. and international operations for the four months ended September 30, 1996, the eight months ended May 31, 1996 and the twelve months ended September 30, 1995 and 1994 is as follows:

Four Months Ended September 30, 1996 - Reorganized Company

(Dollars in thousands)	U.S.	International	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>
Customer sales.....	\$102,733	\$ 48,809	\$ ----	\$151,542
Inter-geographic.....	4,449	----	(4,449)	----
Total sales.....	\$107,182	\$ 48,809	\$ (4,449)	\$151,542
Operating income.....	\$ (12,401)	\$ 6,637	\$ ----	\$ (5,764)
Identifiable assets.....	\$390,088	\$ 45,333	\$ ----	\$435,421

</TABLE>

<TABLE>
<CAPTION>
Eight Months Ended May 31, 1996 - Predecessor Company

(Dollars in thousands)	U.S.	International	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>
Customer sales.....	\$227,742	\$106,856	\$ ----	\$334,598
Inter-geographic.....	12,592	----	(12,592)	----
Total sales.....	\$240,334	\$106,856	\$ (12,592)	\$334,598
Operating income.....	\$ 34,990	\$ 6,615	\$ ----	\$ 41,605

<TABLE>
<CAPTION>
Twelve Months Ended September 30, 1995 - Predecessor Company

(Dollars in thousands)	U.S.	International	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>
Customer sales.....	\$ 404,239	\$ 186,950	\$ ----	\$ 591,189
Inter-geographic.....	24,973	----	(24,973)	----
Total sales.....	\$ 429,212	\$ 186,950	\$ (24,973)	\$ 591,189
Operating income (loss).....	\$ (135,811)	\$ 7,622	\$ ----	\$ (128,189)
Identifiable assets.....	\$ 350,310	\$ 70,719	\$ ----	\$ 421,029

<TABLE>
<CAPTION>
Twelve Months Ended September 30, 1994 - Predecessor Company

(Dollars in thousands)	U.S.	International	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>
Customer sales.....	\$ 421,339	\$ 171,260	\$ ----	\$ 592,599
Inter-geographic.....	23,726	----	(23,726)	----
Total sales.....	\$ 445,065	\$ 171,260	\$ (23,726)	\$ 592,599
Operating income.....	\$ 60,794	\$ 18,783	\$ ----	\$ 79,577
Identifiable assets.....	\$ 590,743	\$ 67,896	\$ ----	\$ 658,639

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NOTE 23.
QUARTERLY FINANCIAL DATA (UNAUDITED):
<TABLE>
<CAPTION>

(Dollars in thousands, except per share amounts)	Predecessor Company			Reorganized Company	
	First Quarter	Second Quarter	Two Months Ended May 31, 1996	One Month Ended June 30, 1996	Fourth Quarter
Fiscal 1996					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$130,265	\$125,911	\$ 78,422	\$ 36,786	\$114,756
Gross profit.....	40,666	40,411	23,903	11,895	37,692
Income (loss) before extraordinary credit.....	1,053	(10,731)	122,206	(4,372)	(17,637)
Extraordinary credit:					
Gain on discharge of indebtedness.....	----	----	52,442	----	----
Net income (loss).....	1,053	(10,731)	174,648	(4,372)	(17,637)
Preferred stock dividends and discount accretion.....	540	----	----	----	----
Net income (loss) available to common stockholders.....	\$ 513	\$ (10,731)	\$174,648	\$ (4,372)	\$ (17,637)
Earnings per common share (primarily and fully diluted):					
Net loss available to common stockholders.....				\$ (.44)	\$ (1.75)

</TABLE>
<TABLE>
<CAPTION>

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
---------------	----------------	---------------	----------------

Fiscal 1995 - Predecessor Company	<C>	<C>	<C>	<C>
<S>				
Revenues.....	\$151,812	\$151,489	\$ 148,933	\$ 138,955
Gross profit.....	49,406	45,945	45,931	32,482
Net income (loss).....	281	(7,664)	(138,829)	(92,114)
Preferred stock dividends and discount accretion.....	540	539	540	539
Net loss to common stockholders.....	\$ (259)	\$ (8,203)	\$ (139,369)	\$ (92,653)

</TABLE>

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NOTE 24.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES:

The following is a summary of activity in the Company's valuation and qualifying accounts and reserves for the periods ended September 30, 1996 and May 31, 1996 and for the twelve months ended September 30, 1995 and 1994:

<TABLE>
<CAPTION>

Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
(Dollars in thousands)				
Four Months Ended September 30, 1996 - Reorganized Company				
<S>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts.....	\$ 7,464	\$ 388	\$ 1,393[1]	\$ 6,459
Eight Months Ended May 31, 1996 - Predecessor Company				
Allowance for doubtful accounts.....	\$ 7,367	\$ 253	\$ 156[1]	\$ 7,464
Twelve months ended September 30, 1995 - Predecessor Company				
Allowance for doubtful accounts.....	\$ 3,550	\$ 4,670	\$ 853[1]	\$ 7,367
Twelve months ended September 30, 1994 - Predecessor Company				
Allowance for doubtful accounts.....	\$ 4,245	\$ (268)	\$ 427[1]	\$ 3,550

[1] Uncollectable accounts written off, net of recoveries.

</TABLE>

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NOTE 25.
RIGHTS OFFERING:

On October 30, 1996, the Company completed a rights offering to its existing shareholders resulting in the issuance of 3.6 million shares of new common stock. For each share of Anacomp new common stock held as of the close of business on September 18, 1996, the Company distributed 0.36 rights to purchase additional shares of new common stock at a subscription price of \$6.875 per share. The Company will use the proceeds of the rights offering, approximately \$25 million, for the acquisition of businesses, assets and technologies.

NOTE 26.
SUBSEQUENT EVENTS (Unaudited):

On November 20, 1996, the Company reached agreement with Lehman Brothers for the refinancing of the Company's 11-5/8% Senior Secured Notes. Lehman Brothers has agreed to underwrite a new \$115 million debt facility to replace the existing Senior Secured Notes, which had a balance outstanding of \$97.9 million at September 30, 1996. The new debt facility will consist of \$90 million in term loans and a revolver of up to \$25 million. The refinancing requires the consent of Anacomp's 13% Senior Subordinated Noteholders. The consent solicitation period ends January 17, 1997.

Subsequent to September 30, 1996, the company acquired the customer bases

and other specified assets of three businesses: Archive Storage, Inc. ("ASI"), Precision Data Services, Inc. ("PDS") and Integra Technologies Corporation ("ITC").

ASI is a Massachusetts company that specializes in the long-term storage of critical business records. The ASI purchase price consisted of \$180,000 cash at closing, the assumption of a \$70,000 debt obligation, and a contingent cash payment of up to \$500,000 based on future earnings of Anacomp's storage business.

PDS is a service bureau in New York specializing in Computer Output to Microfilm ("COM"). The PDS purchase price was \$1.7 million cash at closing.

ITC is a Massachusetts company that provides maintenance services relating to ITC equipment sold for the cleaning, testing, certifying and degaussing of computer tape. The ITC purchase price consisted of \$1.5 million cash at closing, the assumption of a \$600,000 deferred revenue liability, and a contingent cash payment of up to \$2.7 million based on future revenues of the ITC business.

EXHIBIT INDEX

EXHIBIT NUMBER

(10) MATERIAL CONTRACTS

(a) Amended and Restated Employment Agreement, effective October 1, 1996, between Anacomp, Inc. and P. Lang Lowrey, III.

(b) Employment Agreement, effective October 1, 1992, between Anacomp, Inc. and William C. Ater.

(c) Employment Agreement, effective February 15, 1996, between Anacomp, Inc. and Donald L. Viles.

(11) STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS.

(21) SUBSIDIARIES OF THE REGISTRANT.

(27) FINANCIAL DATA SCHEDULE (REQUIRED FOR ELECTRONIC FILING ONLY).

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into effective as of the 1st day of October, 1996 (the "Effective Date"), by and between ANACOMP, INC., a corporation organized and existing under the laws of the State of Indiana (hereinafter referred to as "Company"), and P. LANG LOWREY III, an individual resident of the State of Georgia (hereinafter referred to as "Employee").

STATEMENT OF BACKGROUND

Company and Employee are parties to that certain Amended and Restated

Employment Agreement dated effective as of September 24, 1995, as amended, governing the employment of Employee by Company (such Amended and Restated Employment Agreement, as amended to date, is hereinafter referred to as the "Original Employment Agreement"). Company and Employee desire to amend and restate the Original Employment Agreement in its entirety in order to set forth in a single agreement all of the provisions of the Original Employment Agreement, as previously amended and as further amended by the amendments to the Original Employment Agreement contained herein, and for convenience of reference. Provisions included in the Original Employment Agreement, which due to the passage of time, changes in the course of dealings between the parties, or for other reasons are no longer applicable, have been deleted from this Agreement.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereto, intending to be legally bound, agree as follows:

1. Employment. Company hereby agrees to employ Employee in the positions of Chairman of the Board of Directors and Chief Executive Officer of Company, and Employee accepts such employment, all subject to the terms and conditions hereinafter set forth.

2. Employment Term. The initial term of this Agreement is from the Effective Date until September 30, 1997 (the "Initial Term"). In addition to the Initial Term, this Agreement shall be renewed for additional 1-year periods ("Renewal Terms"), ad infinitum, unless either party gives notice of non-renewal at least sixty (60) days prior to the expiration of the Initial Term or then current Renewal Term. Either the Initial Term or any Renewal Term may be terminated pursuant to Section 8 hereof. If prior to the expiration of the Initial Term or any Renewal Term, Company gives notice to Employee of non-renewal of this Agreement, then upon the expiration of the Initial Term or the then-current Renewal Term, this Agreement shall terminate and (i) Company shall immediately pay to Employee all benefits and payments due him under this Agreement through such termination date, together with severance in the form of a lump sum cash payment equal to the value of the base salary and the bonus payments that Employee received during the twenty-four (24) month period immediately preceding such expiration; provided, however, that the lump sum cash payment which Employee shall receive upon the expiration of this Agreement shall not exceed an amount equal to \$1 million; (ii) Company shall continue to provide to Employee the insurance benefits described in Section 7.2 below, for a period expiring twenty-four (24) months after the expiration of this Agreement or until Employee obtains other employment with comparable insurance benefits, whichever shall first occur (The lump sum cash payment and insurance benefits described in this Section 2 which Employee shall receive upon the expiration of this Agreement are hereinafter collectively referred to as the "Severance Allowance."); (iii) the options granted pursuant to the Incentive Stock Plan described in Section 4.3 and the option described in Section 5.1 shall

immediately vest and shall be fully exercisable upon the date this Agreement shall terminate and for ninety (90) days thereafter. If prior to the expiration of the Initial Term or any Renewal Term, Employee gives Company notice of non-renewal of this Agreement, then upon termination of this Agreement Employee shall receive only the benefits and payments due him under this Agreement through such termination date and the required COBRA notices; Employee shall not receive any Severance Allowance and there shall be no further vesting of options.

3. Duties of Employee. Except as otherwise provided in this Agreement, Employee shall have the duties set forth in this Section 3 during the Initial Term and any Renewal Term of this Agreement.

Company employs Employee as Chairman of the Board of Directors and Chief Executive Officer. In such capacities, Employee is responsible for establishing operational priorities, determining the organizational structure for all of Company's operating divisions and strategic business units, approving all Company compensation plans and submitting such plans to Company's Board of Directors (if such submission is required), and developing Company policies and procedures.

As Chairman of the Board of Directors, Employee shall be a member of the Board of Directors and shall preside at all meetings of the shareholders and directors. Employee shall give general direction and supervision to the affairs of the Company, and shall have and perform such other duties as may be assigned by the Board of Directors.

4. Compensation of Employee. Except as otherwise provided in this Agreement, Company shall compensate Employee in the manner set forth in this Section 4 during the Initial Term and any Renewal Term of this Agreement. 4.1 Base Salary. Employee shall receive a base salary of Five Hundred Thousand Dollars (\$500,000) per annum as compensation for his services hereunder. The base salary shall be payable in 26 installments, paid every other week in accordance with the general payroll practices of Company. The amount of the base salary shall be reviewed at the beginning of each fiscal year of the Company. The Company, in its sole discretion, may increase the amount of compensation provided in this Section 4.1 without the necessity of amending this Agreement but the Company shall not decrease the base salary at any time during the term of this Agreement. Any increase shall not affect any of the other terms and conditions of this Agreement other than determination of the Severance Allowance payable to Employee hereunder.

4.2 Incentive Bonuses. Employee shall participate in, and be entitled to receive incentive bonuses pursuant to, the Company's 1997 Annual Management Incentive Plan (the "Bonus Plan"). Employee's "target" bonus and maximum bonus pursuant to the Bonus Plan shall be equal to \$333,333 and \$616,666, respectively, during the Initial Term. During each Renewal Term, Employee shall participate in, and be entitled to receive incentive bonuses pursuant to, comparable management incentive plans then in effect with a "target" bonus of not less than \$333,333. Any bonus earned by Employee pursuant to the Bonus Plan or future comparable plans shall be paid to Employee as soon as practicable

following the date such bonus is earned.

4.3 1996 Long-Term Incentive Plan. Employee shall be entitled to participate in the Company's 1996 Long-Term Incentive Plan, and in any successor stock option plan (the "Incentive Stock Plan"), to the extent and in the manner approved by the Board of Directors. Pursuant to the Incentive Stock Plan, on the 15th day of November, 1996, the Company granted Employee an option to acquire 190,679 shares of Company's Common Stock, \$.01 par value per share (the "Common Stock") at an exercise price of \$7.95 per share vesting three years after the grant. All of the options granted to Employee pursuant to the Incentive Stock Plan shall be issued to Employee under and in accordance with the terms and conditions of the Incentive Stock Plan (including the anti-dilution provisions contained in such Plan).

5. Non-Qualified Stock Options.

5.1 Grant of New Options. Subject to the terms and conditions set forth in Section 5.2 below, Company granted to Employee on August 22, 1996, an option to acquire 40,000 shares of Company's Common Stock which option shall vest and become exercisable according to the following schedule:

Date of Vesting	Number of Shares Vested
June 30, 1997	10,000
June 30, 1998	10,000
June 30, 1999	10,000
September 30, 1999	10,000

Notwithstanding the foregoing, the option for 10,000 shares that is scheduled to vest on September 30, 1999 shall only vest and become exercisable if Company meets at least 95% of its EBITDA goal for the years ending September 30, 1997, September 30, 1998 and September 30, 1999 combined, which EBITDA goal is set forth in the Company's Disclosure Statement dated March 28, 1996 (it being understood that the EBITDA goal is set forth in the Projected Consolidated Statements of Operations included in the Disclosure Statement).

5.2 Price and Terms of New Options. The option described in Section 5.1 above shall be exercisable for shares of Common Stock at an exercise price equal to \$4.63 per share. Such option shall be issued to Employee under and in accordance with the terms and conditions of Company's 1996 Restructure Recognition Incentive Plan (the "Non-Qualified Stock Option Plan") (including the anti-dilution provisions contained in such Plan). As consideration for Company's grant of such option to Employee, Employee has executed the Anacomp Confidentiality, Non-Competition and Non-Disclosure Agreement attached hereto as Exhibit A.

5.3 Accelerated Vesting of Options. Notwithstanding anything to the contrary in this Agreement, in the Non-Qualified Stock Option Plan, in the Incentive Stock Plan or in any other agreement entered into by the Company and Employee, in the event of Employee's termination of employment with Company, other than Employee non-renewal pursuant to Section 2, or any termination pursuant to Sections 8.1(b) (voluntary written resignation by Employee), 8.1(e)

(termination with cause), or 8.1(h) (termination due to events), the option described in Section 5.1 above and any options granted pursuant to the Incentive Stock Plan described in Section 4.3 shall immediately vest and shall be fully exercisable upon such termination and for ninety (90) days thereafter.

6. Business-Related Expenses. Upon presentation in accordance with Company policies of itemized accounts of his expenditures relating to his performance as an Employee, Company promptly shall reimburse Employee for all reasonable and necessary travel expenses and other disbursements incurred by Employee on behalf of Company in the performance of his duties under this Agreement. Without limiting the generality of the foregoing, the parties acknowledge that Company temporarily transferred Employee from Company's executive offices in Atlanta, Georgia to Company's Poway, California facility and back to Atlanta, Georgia ("Temporary Transfer"). Company agrees to reimburse Employee in accordance with the provisions of the Company's Relocation and Moving Expense Policy and letters to Employee from the Company dated November 16, 1995, and December __, 1996, for any and all travel, living and relocation expenses incurred by Employee and/or Employee's family in connection with or related to Employee's Temporary Transfer and/or Employee's return transfer to Company's executive offices in Atlanta, Georgia.

7. Employee Benefits.

7.1 Benefits Generally. Employee shall participate in all employee benefit, bonus and similar programs of Company in which he is a participant as of the date hereof and shall be eligible to participate in all other incentive, pension, thrift, profit sharing, stock option, deferred compensation, employee loan and insurance plans and arrangements maintained by Company from time to time for the benefit of its employees. Company may change, alter or modify any benefits or benefit programs from time to time, provided Employee continues to receive benefits equivalent to those received by other members of Company's senior management. Any compensation received by Employee pursuant to any benefit programs shall be in addition to the compensation described elsewhere in this Agreement.

7.2 Insurance Benefits. Company shall provide for Employee and his dependents life, medical, disability and dental insurance coverage in keeping with the insurance benefits provided to other members of Company's senior management and on the same expense sharing basis as other members of Company's senior management. Company may change, alter or modify any such insurance coverage from time to time, provided that Employee and his dependents continue to be provided such coverage equivalent to that provided to other members of Company's senior management.

7.3 Vacations. Employee shall be entitled to vacations in accordance with Company policy, during which time his compensation shall be paid in full; provided, however, Employee shall receive no less than two (2) full weeks of vacation each year. If Employee is unable to take any or all of his vacation during a year due to business reasons, Employee may take his unused paid vacation at a later time.

7.4 Other Fringe Benefits. Employee shall also be entitled to any other fringe benefits, including regular holidays, that are normally available to other members of Company's senior management.

8. Termination.

8.1 Compensation and Benefits Upon Termination. This Agreement may be terminated prior to the expiration of the Initial Term or any Renewal Term by any of the following events:

a) mutual written agreement expressed in a single document signed by both the Company and Employee;

b) except as contemplated by Section 8.4.3, voluntary written resignation by Employee as President and Chief Executive Officer of Company; provided, however, that Employee shall be permitted to resign solely as Chairman of the Board of Directors of Company at any time, and such resignation shall not be deemed a termination hereunder;

c) death of Employee;

d) written notice of termination without cause as defined in Section 8.2;

e) written notice of termination with cause as defined in Section 8.3;

f) the occurrence of any of the events specified in Section 8.4.1, which Employee elects to treat as a termination under Section 8.4.1;

g) the occurrence of any of the events specified in Section 8.4.2, which Employee elects to treat as a termination under Section 8.4.2; or

h) written notice of termination as contemplated by Section 8.4.3.

Upon termination for any of the foregoing reasons, Employee shall continue to render his services and shall be paid his regular compensation and benefits up to the date of termination. If this Agreement is terminated under Sections 8.1(b) or 8.1(e), no Severance Allowance shall be paid to Employee (except, with respect to any termination pursuant to Section 8.1(e), as otherwise provided in Section 8.3). If this Agreement is terminated under Sections 8.1(a), 8.1(c), 8.1(d), 8.1(f), 8.1(g) or 8.1(h), then the Company shall pay to Employee the Severance Allowance. This Severance Allowance is in addition to the regular compensation and benefits which Employee shall receive up to the date of termination and shall be paid by the Company on the last date that Employee actually reports to the Company's premises for full time duties. In the event of such termination, this Agreement shall be deemed terminated for all purposes except to the extent otherwise herein provided. Upon termination, for any of the foregoing reasons, the accelerated vesting of options shall be governed by Section 5.3.

8.2 Termination Without Cause. If Employee is unable, as determined in good faith by the Company's Board of Directors, to perform Employee's assigned duties

on a full-time basis for any continuous period of 120 days or a total of 180 days in any 12-month period, or if the Company otherwise concludes Employee's services are no longer required, this Agreement may be terminated without cause by giving Employee written notice thereof. The noninsurability of Employee, either present or future, does not constitute grounds for termination under this or any other Section of this Agreement. If Employee is terminated under this Section 8.2, the Company shall pay the compensation, benefits and Severance Allowance provided in Section 8.1 above.

8.3 Termination With Cause.

8.3.1 The Company may immediately terminate this Agreement at any time with cause upon written notice to Employee specifying the cause and the effective date of termination. For purposes of this Agreement, "cause" shall mean only the following: (i) willful breach of fiduciary duty or willful dishonesty, in either case involving acts directed towards the Company and involving personal profit (except for acts which may be cured as set forth below), or (ii) criminal conduct of Employee against the Company which results in a felony conviction of Employee. The Company agrees that in the event that it shall allege that Employee engaged in a willful breach of fiduciary duty or willful dishonesty of the type for which the Company believes that it has cause for Employee's termination, the Company shall give notice to the Employee. If the Employee, following receipt of such notice, shall maintain in good faith that any such alleged action was unintentional, the Employee shall have the right to cure such action by full reimbursement to the Company of any sums wrongfully received; provided that such cure shall be permitted only if, with respect to any single act or occurrence, the amount wrongfully received by Employee with respect to such single act or occurrence was less than \$5,000. The agreement by Employee to return such sums shall constitute a cure, and the Company shall not be entitled to terminate the Employee with cause under this Section 8.3 for such act or occurrence. Termination with cause shall be determined in good faith by Company's Board of Directors after written notice to Employee and an opportunity for Employee to be heard by Company's Board of Directors.

8.3.2 Employee agrees that, in the event written notice of termination is given under this Section 8.3, Employee shall treat the contents of said notice as privileged and Employee shall have no action against Company or any of its officers, agents or employees due to the contents of said notice unless the contents are intentionally false and malicious. If Employee is terminated under this Section 8.3, he shall receive no Severance Allowance at the time of such termination. If Employee is given notice of termination under this Section 8.3 and it is later determined that no "cause" existed, Employee shall be entitled to all compensation, benefits and allowances due him for the period following such alleged termination and through the date of such determination and shall be entitled to the Severance Allowance, plus legal interest from the date of termination and all reasonable attorneys' fees incurred by Employee in contesting the notice of termination.

8.3.3 The Company represents that as of the date this Agreement is executed by the Company, the Company knows of no fact or circumstance that would provide the Company with a basis for terminating this Agreement for cause.

8.4 Demotion, Transfer or Reduction in Compensation, Merger, Transfer of Assets, Change in Control or Business Discontinuation.

8.4.1 Demotion, Transfer, Reduction in Compensation, or Business Interference. If any of the following takes place:

a) Employee is demoted, including for these purposes (i) any change in the title or duties described in Section 3 hereof, (ii) any significant reduction or change by Company in the functions, duties or responsibilities of Employee under this Agreement, or (iii) the removal of Employee as Chairman of the Board of Directors of Company without his written consent,

b) after Employee's Temporary Transfer has terminated, a transfer of Employee to another location outside of Metropolitan Atlanta not agreed to in writing by Employee,

c) any reduction in Employee's annual compensation, or

d) intentional interference by Company or any person or entity directly or indirectly controlling Company with the performance by Employee of the duties required of him hereunder,

then Employee may, in his sole and absolute discretion, elect to treat any such occurrence as a termination of this Agreement by giving written notice of such election to the Company, entitling Employee to payment of the compensation, benefits and Severance Allowance provided in Section 8.1 above. In the event the Company disputes any election made by Employee pursuant to this Section 8.4.1, the Company shall notify Employee in writing of such dispute within ten (10) days of receiving Employee's written election. If Company does not so notify Employee within the ten (10) day period, the Company shall be deemed to have accepted Employee's election and shall pay all compensation, benefits and Severance Allowance provided in Section 8.1 above.

8.4.2 Merger, Transfer of Assets, Change in Control or Business Discontinuation. In the event of any:

a) merger or consolidation where Company is not the consolidated or surviving company and the surviving or resulting company does not expressly agree to be bound by and have the benefits of the provisions of this Agreement,

b) transfer of all or substantially all of the assets of Company and the transferee of Company's assets does not expressly agree to be bound by and have the benefits of the provisions of this Agreement,

c) change in control of Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the Effective Date (the "Exchange Act"), provided that, without limiting the generality of the foregoing, such a change in control shall be deemed to have occurred if: (i) any person or persons acting in concert (as such term is used in Section 13(d) and

14(d) (2) of the Exchange Act) is or becomes the beneficial holder directly or indirectly of securities of Company representing 25% or more of the combined voting power of Company's then outstanding securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority thereof, unless the election or nomination for election by Company's shareholders of each new director was approved by a vote of at least 2/3 of the directors who were directors at the beginning of such period; or (iii) transfer of all or substantially all of the stock of Company, or

d) discontinuation of business by Company,

then (i) Employee may, in his sole discretion, elect to treat any such occurrence as a termination of this Agreement by giving written notice of such election and immediate termination of his employment to Company, and (ii) Company shall pay Employee within thirty (30) days of Employee's election and termination of employment a payment equal to the Severance Allowance. This Severance Allowance shall be in addition to the regular compensation and benefits that Employee is entitled to receive up to the date Employee's employment with Company terminates.

8.4.3 Existence of Termination Events. Company acknowledges and agrees that Employee was entitled to terminate the Original Employment Agreement pursuant to Sections 8.4.1 and 8.4.2 thereof as a result of the appointment of Paul G. Roland as Company's Chairman of the Board of Directors and the confirmation in Company's chapter 11 bankruptcy case of Company's Third Amended Joint Plan of Reorganization, dated May 20, 1996 (the "Plan"), and the consummation of the transactions contemplated therein, respectively (the appointment of Mr. Roland as Company's Chairman of the Board of Directors and the consummation of the transactions contemplated by the Plan are referred to collectively hereinafter as the "Termination Events"). Company further acknowledges and agrees that, as of the Effective Date, Employee has not waived any of his rights arising as a result of the occurrence of the Termination Events. Therefore, at any time from the Effective Date through September 30, 1997, Employee shall have the right in his sole and absolute discretion to terminate this Agreement by giving Company written notice of termination at least 120 days prior to the designated termination date (it being understood that Employee may give the 120-day notice of termination at any time through and including September 30, 1997). If Employee terminates the Agreement pursuant to this Section 8.4.3, Company shall pay the compensation, benefits and Severance Allowance provided in Section 8.1 above in equal amounts each month during the 120-day notice period..

8.5 Return of Company Property. Employee agrees to return all property of Company, including but not limited to, details of equipment, prices, specifications, programs, customer and prospective customer lists and any other proprietary data or objects acquired through the Employee's employment with Company, within seven (7) days after termination of employment, regardless of the reason therefor.

8.6 Failure to Pay Severance Allowance. In the event that Company fails to timely pay to Employee any and all Severance Allowance payments to which

Employee is entitled pursuant to Sections 8.1, 8.2, 8.3, 8.4.1, 8.4.2 or 8.4.3 hereof, then (in addition to Employee's other rights hereunder) the Anacomp Confidentiality, Non-Competition and Non-Disclosure Agreement described in Section 5.2 above shall be void and of no force and effect.

8.7 Waiver of Claims. All Severance Allowance payments made by Company to Employee pursuant to Section 2 hereof or this Section 8 shall be in full and complete payment of any and all claims that Employee may have against Company regarding his employment or the termination thereof, and Employee hereby expressly waives all rights that he may have to any other payments or to bring any other claims based upon his employment or the termination thereof. Except for the qualification with respect to employee benefits described in Section 2 above, all Severance Allowance payments due from Company to Employee under this Agreement are absolute, and shall not be diminished or otherwise affected by virtue of Employee securing alternative employment.

8.8 Arbitration of Disputes. If a dispute arises between the parties, including a dispute regarding an election Employee makes under Section 8.4.1 hereof, then the parties agree that their respective representatives shall meet and consult in good faith and attempt to settle the dispute, within thirty (30) days of written notice thereof, as a condition precedent to the initiation of arbitration proceedings as set forth below.

Any dispute, controversy, or claim arising out of or relating to this Agreement, the breach, termination or invalidity thereof, or Employee's employment, including claims of tortious interference or other tort or statutory claims, and including (without limitation) any dispute concerning the scope of this arbitration clause, shall be settled by arbitration in accordance with the Employment Dispute Resolution Rules of the American Arbitrators Association then in effect. The judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration under this Agreement shall be held in Atlanta, Georgia, or at such other place as may be selected by mutual agreement of the parties.

The arbitrator shall be a former federal judge agreed to by the parties or, failing agreement, appointed by the Chief Judge of the United States District Court (Northern District of Georgia). The parties intend that the arbitrator shall be independent and impartial. To this end, the arbitrator shall disclose to the parties any professional, family, or social relationships, past or present, with any party or counsel.

Strict rules of evidence shall not apply in any arbitration conducted pursuant to this Agreement. The parties may offer such evidence as they desire and the arbitrator shall accept such evidence as the arbitrator deems relevant to the issues and accord it such weight as the arbitrator deems appropriate. The arbitrator shall have the discretion to order a prehearing exchange of information by the parties, including, without limitation, production of requested documents, exchange of summaries of testimony of proposed witnesses, and examination by deposition of parties. No party shall be allowed, however, to take more than one deposition of the opposing party and no deposition shall last longer than six (6) hours. All disputes regarding discovery shall be decided by

the arbitrator.

The arbitrator's award shall be in writing and shall specify the factual and legal bases for the award. In rendering the award, the arbitrator shall determine the respective rights and obligations of the parties according to the laws of the State of Georgia or, if applicable, federal law. The arbitrator shall have the authority to award any remedy or relief that a federal or state court within the State of Georgia could order or grant.

Any provisional remedy that would be available from a court of law shall be available from the arbitrator to the parties, pending the arbitrator's determination of the merits of the parties' dispute. This shall include orders of attachment, temporary restraining orders, injunctions, and appointment of a receiver. If the arbitrator issues such an order, either party may immediately apply to a court of competent jurisdiction for enforcement of the order, even though the arbitrator may not have rendered a final award.

All fees and expenses of the arbitration, including the fees of the arbitrator and the fees and expenses of each party's counsel, experts, witnesses and preparation and presentation of proofs, shall be paid by Company.

Unless legally required to do so, neither party may disclose the existence, content, or results of any arbitration under this Agreement without the prior written consent of the other party, nor may the arbitrator disclose any such information without the consent of both parties. This provision shall apply to all aspects of the arbitration proceeding, including, without limitation, discovery, testimony, other evidence, briefs, and the award.

It is the specific intent of the parties that this arbitration clause be governed by the Federal Arbitration Act, 9 U.S.C. Section 1, et seq. ("FAA"); however, if this clause is unenforceable for any reason under the FAA, then the parties intend that it be governed by the provisions of the Georgia Arbitration Code, O.C.G.A. Sections 9-9-1, et seq.

Both Employee and Company represent and warrant they have read the foregoing Section 8.8 _____, that they have had an opportunity to consult with and receive advice from legal counsel regarding the foregoing Section 8.8 _____, and that they hereby forever waive all rights to assert that this Section 8.8 was the result of duress, coercion, or mistake of law or fact. _____ (Initial of both parties in each space.)

0.0.0.0.0.1. Indemnification. Company shall indemnify Employee to the fullest extent permitted by Company's Articles of Incorporation, Bylaws and applicable federal or state laws for all amounts (including, without limitation, judgments, fines, settlement payments, expenses and reasonable attorneys' fees) incurred or paid by Employee in connection with any action, suit, investigation or proceeding arising out of or relating to the performance by Employee of services for, or the acting by Employee as a director, officer or employee of Company, any subsidiary of Company or any other person or enterprise at Company's request. Expenses, including (but not limited to) reasonable attorneys' fees and disbursements, incurred in defending any action, suit,

investigation or proceeding, for which Employee may be entitled to indemnification under this Section 9 upon final disposition of such action, shall be paid by the Company in advance of the final disposition, to the maximum extent permitted by applicable laws and regulations; provided, however, that prior to making any such payments the Company shall receive an undertaking by or on behalf of Employee to repay such amounts if it shall ultimately be determined that he is not entitled to indemnification. Subject to applicable laws and regulations, Company shall maintain in full force and effect, to the extent available at reasonable cost, the Directors' and Officers' Liability Insurance Policies in effect on the date of this Agreement, or other policies or means of providing substantially similar protection to Employee. The parties acknowledge and agree that when used in this Agreement, "reasonable attorneys' fees" shall be deemed to mean the normal billing rates of counsel of Employee's choice.

0.0.0.0.0.2. Miscellaneous.

10.1 Governing Law. This Agreement is made in the State of Georgia and shall be construed and enforced in accordance with the laws of that state, except to the extent that federal law applies.

10.2 Time. Time is of the essence of this Agreement.

10.3 Board Approval. The Company represents and warrants that the execution and delivery of this Agreement have been approved by all requisite Board of Director or Committee action.

10.4 Severability. In the event that this Agreement, or any paragraph or provision hereof, is declared invalid, void or unenforceable by a Court of competent jurisdiction, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way or to any extent.

10.5 Attorney's Fees and Costs. Company shall pay all reasonable attorney's fees and expenses that Employee may incur as a result of the Company's breaching or contesting the validity or enforceability of this Agreement and Employee shall be entitled to receive interest on any payment not timely made for the period of any delay in payment from the date such payment was due at the interest rate determined by adding 200 basis points to the six-month Treasury Bill rate prevailing from time to time over the period of nonpayment.

10.6 Waiver of Breach. Failure or delay of either party to insist upon compliance with any provision hereof shall not operate as, and is not to be construed as, a waiver or amendment of such provision or the right of the aggrieved party to insist upon compliance with such provision or to take remedial steps to recover damages or other relief for noncompliance. Any express waiver of any provision of this Agreement shall not operate and is not to be construed as a waiver of any subsequent breach, whether occurring under similar or dissimilar circumstances.

10.7 Notices. All notices, consents, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been

duly given or delivered if (i) delivered personally; or (ii) mailed by certified mail, return receipt requested, with proper postage prepaid; or (iii) delivered by facsimile; or (iv) delivered by recognized courier contracting for same day or next day delivery:

(a) To Company:

Anacomp, Inc.
2115 Monroe Drive, NE
Atlanta, GA 30305
Attention: George C. Gaskin
Corporate Counsel
Facsimile Number: (404) 873-4163

(b) To Employee:

P. Lang Lowrey III
917 Stovall Blvd.
Atlanta, GA 30319
Facsimile Number: (404) 467-1111 (as of 12/14/96)

(c) Attorney

William A. Clineburg, Jr.
King & Spalding
191 Peachtree Street
Atlanta, Georgia 30303-1763
Facsimile Number: (404) 572-5147

or at such other address as the parties hereto shall have last designated by notice to the other parties. Any item delivered personally or by recognized courier contracting for same day or next day delivery shall be deemed delivered on the date of delivery. Facsimile deliveries shall be deemed delivered on the date of transmission by the sender provided sender has evidence of successful transmission. Any item mailed shall be deemed to have been delivered on the date evidenced on the return receipt.

IN WITNESS WHEREOF, Company has caused this Agreement to be executed and delivered by its duly authorized officers under seal and its corporate seal to be affixed hereto, and Employee has executed and delivered this Agreement and has hereunto affixed his hand and seal, each on the date(s) set forth beside their respective signatures below, with this Agreement to be effective as of the Effective Date.

COMPANY:
ANACOMP, INC.

Dated: By: _____ (SEAL)
William C. Ater, Senior Vice
President, Secretary and

Chief Administrative Officer

EMPLOYEE:

Dated: _____ (SEAL)
P. Lang Lowrey III

EMPLOYMENT AGREEMENT

This Agreement is entered into between ANACOMP, INC. or any of its subsidiaries or affiliates (herein referred to as "ANACOMP") and EMPLOYEE. The full identification of each party, date of agreement, and date of expiration of agreement are all included on the cover sheet immediately preceding this page which is incorporated herein by this reference. The following conditions and terms shall apply:

ARTICLE I

Merger of All Prior Agreements

This Agreement shall supersede and terminate all prior employment contracts and agreements between EMPLOYEE and ANACOMP.

ARTICLE II

Scope and Term of Employment, Compensation

ANACOMP and EMPLOYEE mutually agree that Addendum I, attached hereto and incorporated herein by this reference, is intended to define the scope of employment, base salary, incentive compensation, and responsibility assignments.

Subject always to termination provisions as provided elsewhere in this Agreement, the term of this Agreement shall begin on the Effective Date of Agreement and shall terminate on the Date of Expiration of Agreement, both as shown on the cover sheet. Unless otherwise terminated as provided elsewhere herein, this Agreement shall automatically renew after expiration date on an annual basis unless either party gives the other party thirty (30) days written notice requesting that said Agreement not be renewed. If this Agreement is not renewed and EMPLOYEE continues working beyond Termination Date, said employment shall be on a month-to-month basis. If, at the expiration of the original 3-year term or any renewal term, ANACOMP declines to renew this Agreement, EMPLOYEE shall be entitled to regular compensation and benefits up to the date of termination and, unless the parties agree on a different amount, to a severance allowance equal to EMPLOYEE'S previous twenty-four months' total cash compensation, including bonuses, payable in a lump sum or bi-weekly at EMPLOYEE'S option, and health benefits until other employment is secured or for twenty-four months, whichever is sooner, and all existing options to acquire

Anacomp common stock shall immediately vest.

Compensation is confidential and is to be discussed only with the officers of ANACOMP, as required.

ARTICLE III

Fringe Benefits

In addition to the regular compensation, EMPLOYEE shall be entitled to the normally available employee fringe benefits including regular holidays, vacations and health insurance. ANACOMP, however, reserves the right to change or alter these fringe benefits from time to time with the understanding that the EMPLOYEE will be treated on an equal basis with other employees of similar status.

ARTICLE IV

Insurance on Employee

EMPLOYEE agrees that ANACOMP may, at its option and expense, obtain life insurance on the life of the EMPLOYEE and the ownership of all such policies and the proceeds therefrom shall be the sole property of ANACOMP.

EMPLOYEE agrees to undergo a routine physical examination for insurance purposes within fifteen (15) days upon the request and at the expense of ANACOMP.

ARTICLE V

Termination and Damages

The parties agree that the EMPLOYEE'S employment (the "Employment") may be terminated as follows:

1. Without Cause The Employment may be terminated by ANACOMP at any time without cause by giving EMPLOYEE written notice.

2. with Cause ANACOMP may immediately terminate this Agreement at any time for cause upon written notice to the EMPLOYEE specifying the cause and effective date of termination. As used in this section, "cause" shall mean:

(a) Inability of EMPLOYEE, as determined by the Board of Directors of ANACOMP, to perform EMPLOYEE'S assigned duties on a full-time basis for any continuous period of one hundred twenty (120) days or a total of one hundred eighty (180) days in any twelve (12) month period, which period shall commence on the initial date of this contract and every anniversary date thereof.

(b) The willful and continued failure by EMPLOYEE substantially to perform his duties and obligations or the willful engagement by EMPLOYEE in misconduct which is materially injurious to ANACOMP, monetarily or otherwise. For purposes

of this subsection, no act or failure to act on EMPLOYEE'S part shall be considered "willful" unless done or omitted to be done by EMPLOYEE in bad faith and without reasonable belief that his action or omission was in the best interests of ANACOMP.

3. Death Death of an EMPLOYEE shall automatically terminate this Agreement but any remedies ANACOMP may have against the estate of this EMPLOYEE shall survive.

3. Resignation EMPLOYEE may terminate the Employment at any time by giving ANACOMP written notice of his intention to resign.

5. Demotion, Transfer or Reduction in Compensation A demotion, a transfer or a reduction in compensation may, in EMPLOYEE'S sole discretion, be deemed a termination of the Employment.

6. Merger, Consolidation or Change in Control If either of the following events occur:

(a) Substantially all of the assets of ANACOMP are sold or ANACOMP is consolidated or merged with another corporation wherein stock of ANACOMP is exchanged for stock and/or securities of another corporation; or

(b) There is a change of control of ANACOMP of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date thereof; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any person (as such term is used in Section 13(d) and 14(d)(z) of the Exchange Act) is or becomes the beneficial holder directly or indirectly, of securities of ANACOMP representing 25% or more of the combined voting power of ANACOMP'S then outstanding securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of ANACOMP cease for any reason to constitute a majority thereof, unless the election or nomination for election by ANACOMP'S shareholders of each new director was approved by a vote of at least 2/3 of the directors then still in office who were directors at the beginning of such period;

then in any such event, the EMPLOYEE shall continue to have the benefit of and be subject to Sections 1-5 of this Article V and Article VI below.

ARTICLE VI

Payment and Obligations After Termination

If this Agreement is terminated by ANACOMP for cause or the Employment is terminated by EMPLOYEE'S resignation, EMPLOYEE shall be paid only that part of EMPLOYEE'S base salary accrued to the date of termination and EMPLOYEE shall not be entitled to any quarter-end or year-end bonus not already paid or fully earned except and to the extent required by law. If this Employment is terminated due to the death or total and permanent disability of EMPLOYEE,

bonuses shall be paid on a pro rata basis computed through the date of termination. If the Employment is terminated without cause or as a result of a merger, consolidation or change in control, or the EMPLOYEE deems a termination to have occurred due to a demotion, transfer or reduction in compensation, EMPLOYEE shall be entitled to termination pay equal to EMPLOYEE'S previous twenty-four months' total cash compensation, including bonuses, payable in a lump sum or bi-weekly at EMPLOYEES'S option, and health benefits until other employment is secured or for twenty-four months, whichever is sooner, and all his existing options to acquire ANACOMP Common Stock shall immediately vest. All termination payments shall be made within forty-five (45) days after termination. All termination payments made pursuant to this Article VI or Article V shall be in full and complete payment of any and all claims EMPLOYEE may have regarding his employment or termination and EMPLOYEE hereby expressly waives all rights he may have to any other payments.

EMPLOYEE agrees to return all property of ANACOMP, including, but not limited to details of equipment, prices, specifications, programs, customer and prospective customer lists, and any other proprietary data or objects acquired through the EMPLOYEE'S employment with ANACOMP, within seven (7) days upon the termination of employment, whether said termination be with or without cause.

ARTICLE VII

Restrictive Covenant and Non-Competition

Inventions and Improvements Confidential Information

EMPLOYEE and ANACOMP shall enter into "EMPLOYEE'S COVENANT NOT TO COMPETE OR DISCLOSE TRADE SECRETS" in the form attached hereto as Addendum II. In the event of any conflict between the terms of this Agreement and such Covenants, this Agreement shall govern.

ARTICLE VIII

Warranties and Representations

EMPLOYEE hereby warrants and represents as follows:

(1) That the execution of this Agreement and the discharge of EMPLOYEE'S obligations hereunder will not breach or conflict with any other contract, agreement or understanding between EMPLOYEE and any other party or parties.

(2) That EMPLOYEE has ideas, information and know-how relating to the type of business conducted by ANACOMP and EMPLOYEE'S disclosure of such ideas, information and know-how to ANACOMP will not conflict with or violate the rights of any third party or parties with respect thereto.

ARTICLE IX Remedies

The parties agree that the remedy for breach of this Agreement shall include actions in equity for injunctive relief as well as money damages. The

remedies given to or reserved by ANACOMP hereunder shall be cumulative and not exclusive of any other remedy available under law.

ARTICLE X No Waiver

The failure of EMPLOYEE to terminate this Agreement for the breach of any condition or covenant herein by the EMPLOYEE shall not affect EMPLOYEE'S right to terminate for subsequent breaches of the same or other conditions or covenants. The failure of either party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed as a waiver of such provisions or of the right of the party thereafter to enforce each and every such provision.

ARTICLE XI

Benefit

This Agreement shall bind, benefit, and be enforceable by ANACOMP, its successors and assigns, and by EMPLOYEE, EMPLOYEE'S heirs, executors, administrators, and legal representatives.

ARTICLE XII

Severability

Should any provision of the Agreement not be enforceable in any jurisdiction, the remainder of the Agreement shall not be affected thereby

ARTICLE XIII Survival The obligations contained in Articles VI and VII shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the day, month and year stated on the cover page of this Agreement, which Agreement shall be effective only upon approval by ANACOMP, INC., as evidenced by the authorized signature of an officer of ANACOMP below.

APPROVED BY:

ANACOMP

By:

EMPLOYEE:

William C. Ater

ADDENDUM I

TO

EMPLOYMENT AGREEMENT DATED OCTOBER 1, 1992

BETWEEN

ANACOMP, INC. ("ANACOMP")

AND

WILLIAM C. ATER (EMPLOYEE)

Scope of Employment

ANACOMP employs the EMPLOYEE in the capacity of Vice President, Chief Administrative Officer and Secretary.

Assigned Responsibilities

EMPLOYEE is responsible for managing the Personnel and Employee Benefits, Corporate Real Estate, Corporate Management Information Systems (MIS), Corporate Communications, Legal, and General Administrative departments of the Corporation and for performing such other duties as may be assigned by the President, Chairman of the Board and Chief Executive Officer.

Base Salary

For all services rendered by EMPLOYEE under this Agreement, EMPLOYEE shall receive a minimum Base Salary of \$110,000 per year for fiscal year 1993, beginning October 1, 1992. Base Salary will be reviewed at the beginning of each fiscal year.

Incentive Compensation

Bonus

In addition to Base Salary, EMPLOYEE shall receive a minimum annual bonus of \$110,000 in fiscal year 1993, beginning October 1, 1992, based upon meeting 100% of assigned objectives. The annual bonus and objectives shall be established at the beginning of each fiscal year, but in no case shall the bonus be less than \$110,000 for meeting 100% of assigned objectives.

ANACOMP, INC:

EMPLOYEE

Louis P. Ferrero

William C. Ater

ADDENDUM II

CONFIDENTIALITY, NON-COMPETITION AND NON-DISCLOSURE AGREEMENT

In consideration of the employment or continued employment of Employee by

Anacomp, Inc. and its successors, assigns, subsidiaries, or duly authorized representatives (hereinafter collectively referred to as "Anacomp") and of the award of an option for the purchase of 25,000 shares of Anacomp, Inc. Common Stock, par value \$.01 per share, at a price of \$4.63 (price to be set on the date of award by Anacomp's Board of Directors), Employee hereby agrees as follows:

1. Confidentiality and Trade Secrets. The Employee recognizes and acknowledges that during the course of his/her employment, he/she will have access to and become acquainted with confidential, trade secret and proprietary information about Anacomp's businesses and customers (hereinafter collectively referred to as the "Protected Information"). The parties hereto recognize that the Protected Information available to Employee may pertain both to customers and accounts handled by Employee personally as well as accounts with which Employee is not personally involved. The parties agree that all Protected Information constitutes a trade secret of Anacomp. Protected Information may include, but is not limited to, the names, addresses, and requirements of any customer or prospective customer of Anacomp; the terms (including price terms) of contractual relations with such customers; special requirements of such customers; the identities of individual contacts at such customers; and any other information relating to Anacomp's research, operations, business relationships, engineering data or results, specifications, concepts, methods, processes, rates or schedules, vendor information, products or services (including prices, costs, sales or content), financial information or measures, business methods, future business plans, data bases, computer programs, designs, models, operating procedures, and knowledge of the organization. The Employee recognizes and acknowledges that all of the Protected Information is valuable, special and essential to the successful and effective conduct of Anacomp's business. Therefore, the Employee shall not, during his/her employment with Anacomp or at any time thereafter, regardless of the reasons for leaving that employment, use, disclose or communicate, directly or indirectly, any Protected Information to any third party for any reason or purpose whatsoever, except as required in the course of his/her employment with Anacomp. Further, upon the termination of his/her employment with Anacomp, for any reason whatsoever, Employee shall promptly return any and all copies of any written material, documents, computer hardware and software, tools and equipment belonging to Anacomp or relating to the business of Anacomp in his/her possession.

2. Non-Competition.

2.1 Non-Competition While an Employee or Consultant. While an employee of Anacomp, or as a consultant to Anacomp after his termination of employment, Employee agrees not to compete in any manner, either directly or indirectly as an employee, consultant, investor or owner, whether for compensation or otherwise, with Anacomp, or to assist any other person or entity to compete with Anacomp. Further, while an employee of Anacomp, Employee agrees not to engage in any other employment without the prior written permission of Anacomp.

3. Non-Solicitation.

9.1 Non-Solicitation of Employees. During the term of his/her employment at

Anacomp and for two (2) years following the termination for any reason of such employment, Employee agrees, either on his/her own behalf or on behalf of any other person or entity, directly or indirectly, not to hire, solicit, or encourage to leave the employ of Anacomp any person who is then an employee of Anacomp. The foregoing restrictions shall apply to employees located in all geographical areas where Employee performed services for Anacomp during the two-year period prior to his/her termination, including areas for which Employee had supervisory authority.

3.2 Non-Solicitation of Customers. Because of Employee's access to Protected Information of Anacomp, Employee agrees that, during the term of his/her employment at Anacomp and for two (2) years following the termination for any reason of such employment, he/she will not, directly or indirectly, in connection with the products and services offered by Anacomp and those products and services which are competitive with the products and services of Anacomp: (a) solicit, attempt to obtain, or in any way transact business with any customers which were customers of Anacomp during his/her employment or at the time of his/her termination; (b) aid or assist any other party in the solicitation of any such customers; or (c) interfere with Anacomp's relationships with any of its customers by soliciting such customers or inducing them to discontinue their relationships with Anacomp. Products and services which are competitive with the products and services of Anacomp include but are not limited to: Micrographics Products (computer output to microfilm-COM-equipment and software, cameras and film, processors, duplicators, retrieval and display equipment and software, computer aided retrieval-CAR-systems, readers, reader printers, other micrographics equipment, micrographics equipment maintenance, micrographics consumable supplies and accessories, records management software); Output Services (computer output to microfilm-COM, source document microfilming, output of data to compact disk, laser printing, conversion of paper and film to electronic images, micrographic or electronic imaging system design, consulting and education, system implementation and integration); Electronic Image Management Products (hardware, software, magnetics products including tapes, tape drives and optical media supplies, maintenance of electronic imaging equipment); Electronic Image Management Services (conversion of computer generated data to optical or laser disk, COLD, electronic document imaging and workflow, conversion of paper documents to electronic images, system design consulting and education, system implementation and integration, conversion of microfilm to electronic images); and Archival Services (storage, management and retrieval of all forms of customer information and business records, including but not limited to paper, microfiche, magnetic media and digital storage media). The foregoing restrictions shall apply to all geographical areas where Employee performed services for Anacomp during the two-year period prior to his/her termination, including areas for which Employee had supervisory authority.

4. Remedies. Employee acknowledges that compliance with Sections 1, 2 and 3 of this Agreement is necessary to protect the business and good will of Anacomp and that a breach of those sections will irreparably and continually damage Anacomp for which money damages may not be adequate. Therefore, Employee agrees that, in the event he/she breaches or threatens to breach any of these Sections, Anacomp shall be entitled to both a preliminary or permanent injunction in order

to prevent the continuation of such harm and money damages insofar as they can be determined. Nothing in this Agreement, however, shall be construed to prohibit Anacomp from also pursuing any other remedy, the parties having agreed that all remedies shall be cumulative.

5. Inventions. Employee agrees that all inventions, improvements, discoveries, systems, techniques, ideas, processes, programs, and other things of value made or conceived in whole or in part by Employee while an employee of Anacomp shall be and remain the sole and exclusive property of Anacomp, and he/she will disclose all such things of value to Anacomp and will cooperate with Anacomp to insure that the ownership by Anacomp of such things of value is protected. Nothing in this Section is meant to apply to an invention for which no equipment, supplies, facility or trade secret information of Anacomp was used, which was developed entirely on Employee's own time, and which does not relate to Anacomp's business, research, development or from any work performed by Employee for Anacomp.

6. Employment. This Agreement does not confer upon Employee any rights to continue in the employ of Anacomp or affect in any way Anacomp's right to terminate his/her employment at any time.

7. Severability. If any provision or clause of this Agreement, or portion thereof, shall be held by any court or other tribunal of competent jurisdiction to be illegal, void or unenforceable in such jurisdiction, the remainder of such provisions shall not thereby be affected and shall be given full effect, without regard to the invalid portion. It is the intention of the parties that, if any court construes any provision or clause of this Agreement, or any portion thereof, to be illegal, void or unenforceable because of the duration of such provision or the area or matter covered thereby, such court shall reduce the duration, area or matter of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

8. Binding Effect. The rights and obligations of this Agreement shall inure to and be binding upon the parties and their respective heirs, successors and assigns.

9. Attorneys' Fees. In the event of any dispute, proceeding or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the interpretation or breach thereof, the prevailing party shall be entitled to recover from the losing party its reasonable expenses, attorneys' fees, expert fees, and costs incurred therein or in the enforcement or collection of any judgment or award rendered therein.

10. No Waiver. Anacomp's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent Anacomp thereafter from enforcing each and every provision of this Agreement.

11. Entire Agreement. This Agreement represents the entire agreement between Employee and Anacomp, with respect to the subject matter hereof, superseding all previous oral and written communications, representations,

understandings or agreements.

12. Employee's Understanding. Employee represents and warrants that he/she has read each and every term of this Agreement and understands the serious duties and obligations imposed upon Employee thereby. Employee further represents and warrants that he/she has had full and ample opportunity to question Anacomp about this Agreement and each of its terms and to consult an attorney regarding this Agreement and each of its terms. Employee represents that he/she is free to enter this Agreement and to perform each of its terms and covenants. Employee represents that he/she is not restricted or prohibited, contractually or otherwise, from entering into and performing this Agreement, and that his or her execution and performance of this Agreement is not a violation or breach of any other agreement between Employee and any other person or entity.

Dated: October 2, 1996

ANACOMP, INC.

By: _____
Eric K. Whinston

Its: Vice President

Employee (signature)

Employee (printed) - William C. Ater

Current Position - Senior Vice President & CAO, U.S. G5roup

Current Location - Poway, California

Social Security Number:

ADDENDUM III

TO

EMPLOYMENT AGREEMENT DATED OCTOBER 1, 1992

BETWEEN

ANACOMP, INC. ("ANACOMP")

WILLIAM C. ATER (EMPLOYEE)

The Addendum will serve to define the terms of EMPLOYEE'S relocation from

Indianapolis, Indiana to San Diego, California.

(1) Upon his relocation, EMPLOYEE will assume the title of Senior Vice President and Chief Administrative Officer, U.S. Group, reporting to the President, U.S. Group.

(2) The standard Anacomp Relocation and Expense Policy (the "Policy") will apply to EMPLOYEE'S move, except as set forth below.

(3) ANACOMP will pay for the cost of temporary housing and meals for up to ninety (90) days instead of the 60 days stated in the Policy. During this time, EMPLOYEE'S spouse may visit San Diego for a reasonable number of visits (i.e. one per month) which will be reimbursed by ANACOMP in lieu of EMPLOYEE returning to Indianapolis.

(4) EMPLOYEE will forego the guaranteed offer on his home as provided by the Policy. The sale, whenever closed, will be handled as an employee referral sale at greater than 100% of the guaranteed offer (section F.5.b., 2nd bullet of the Policy) with the 2% payment based on the selling price. If the home is sold without using a broker, EMPLOYEE will receive an additional 5% of the selling price. The 2% will not be "grossed up" for tax purposes. However, the 5% if applicable, will be grossed up since it is in lieu of real estate commission.

(5) As set forth in the Policy, EMPLOYEE will receive, effective on his relocation date, a 7.29% cost of living allowance representing the difference between Noblesville, Indiana and Rancho Bernardo, California, multiplied by \$240,000 or \$17,496 the first year, \$8,748 the second year and \$4,374 the third year. This allowance will be applied to EMPLOYEE'S compensation components in the same relationship as his current compensation is paid (70% base, 15% monthly incentive base, and 15% annual incentive base).

(6) ANACOMP will pay the actual costs, up to \$100,000, to relocate EMPLOYEE back to Indianapolis or another city of his choosing outside a 50-mile area of San Diego if, within two years of his move, EMPLOYEE is terminated without cause, his position is eliminated, he resigns because his salary is reduced by 10% or more or he refuses a company-directed transfer requiring relocation (other than to Indianapolis if the company moves his position there). Such relocation must occur within 180 days of EMPLOYEE'S termination from ANACOMP and he must have executed the standard Settlement and Release Agreement.

(7) EMPLOYEE agrees that neither the transfer to San Diego nor the change to his job title, responsibility and reporting caused by the relocation to San Diego creates a Demotion, Transfer or Reduction in Compensation pursuant to Article V of the Agreement. EMPLOYEE will have no right to any termination pay caused by such circumstances.

(8) After his relocation to San Diego, EMPLOYEE will be eligible to receive new ANACOMP stock incentives to be awarded by the Board of Directors to the same extent and in the same amounts as other employees reporting directly to the President and Chief Executive Officer.

This Addendum III has been executed this 25 day of June , 1996.

ANACOMP, INC.

EMPLOYEE

By: P. Lang Lowrey, III

William C. Ater

EMPLOYMENT AGREEMENT

This Agreement is entered into between ANACOMP, INC. or any of its subsidiaries or affiliates (herein referred to as "ANACOMP") and EMPLOYEE. The full identification of each party, date of Agreement, effective date of Agreement, and date of expiration of Agreement are all included on the cover sheet immediately preceding this page which is incorporated herein by this reference. The following conditions and terms shall apply:

SECTION I

Merger of All Prior Agreements

1.1 Merger. This Agreement shall supersede and terminate all prior employment contracts and agreements between EMPLOYEE and ANACOMP.

SECTION II

Scope and Term of Employment, Compensation

2.1 Scope of Employment. ANACOMP and EMPLOYEE mutually agree that Addendum I, attached hereto and incorporated herein by this reference, is intended to define the scope of employment, base salary, and incentive compensation.

2.2 Employment Term. Subject always to termination provisions as provided elsewhere in this Agreement, the term of this Agreement shall begin on the Effective Date of Agreement and shall terminate on the Date of Expiration of Agreement, both as shown on the cover sheet. Unless otherwise terminated as provided elsewhere herein, this Agreement shall automatically renew after expiration date on an annual basis unless either party gives the other party thirty (30) days written notice requesting that said Agreement not be renewed. If this Agreement is not renewed and EMPLOYEE continues working beyond Termination Date at the request of ANACOMP, said employment shall be on a month-to-month basis. If, at the expiration of the original 3-year term or any renewal term, ANACOMP declines to renew this Agreement and does not request that EMPLOYEE continue working, EMPLOYEE shall be entitled to all benefits due him under this Agreement and not previously paid him and, unless the parties agree on a different amount, to a severance allowance equal to the prior twenty-four months' total compensation payable in a lump sum or bi-weekly at EMPLOYEE'S option, and health benefits until other employment is secured or for twenty-four

months, whichever is sooner (the "Severance Allowance").

2.3 Compensation. Compensation is confidential and is to be discussed only with the officers of ANACOMP, as required.

SECTION III

Fringe Benefits

3.1 Benefits. In addition to the regular compensation, EMPLOYEE shall be entitled to the normally available employee fringe benefits including regular holidays, vacations and health insurance. ANACOMP, however, reserves the right to change or alter these fringe benefits from time to time with the understanding that the EMPLOYEE will be treated on an equal basis with other employees of similar status.

SECTION IV

Insurance on Employee

4.1 Insurance. EMPLOYEE agrees that ANACOMP may, at its option and expense, obtain life insurance on the life of the EMPLOYEE and the ownership of all such policies and the proceeds therefrom shall be the sole property of ANACOMP. EMPLOYEE agrees to undergo a routine physical examination for insurance purposes within fifteen (15) days upon the request and at the expense of ANACOMP.

SECTION V

Demotion and Relocation

5.1 Demotion. If, at any time during the six month period following ANACOMP's emergence from Chapter 11 bankruptcy, P. Lang Lowrey, ANACOMP's President and Chief Executive Officer, determines that EMPLOYEE is not satisfactorily performing the duties of Chief Financial Officer and/or he has not made improvement in the areas included on the attached Addendum II, then Mr. Lowrey, with approval of ANACOMP's Board of Directors, may demote EMPLOYEE to his previous position of Vice President and Controller under the same compensation plan he had prior to assuming the Chief Financial Officer position. If such demotion occurs, this Agreement shall remain in force except for the scope of employment and compensation. If, at any time prior to ANACOMP's emergence from Chapter 11 bankruptcy, Mr. Lowrey demotes EMPLOYEE to his previous position pursuant to the above criteria, this employment agreement shall be void and EMPLOYEE's rights shall be as contained in his prior Employment Agreement dated July 1, 1990. This section 5.1 will no longer apply if the employment of Mr. Lowrey with ANACOMP is terminated.

5.2 Relocation. EMPLOYEE agrees that if at any time during the first two years of the term of this Agreement he is required to relocate to a location outside of Metropolitan Indianapolis, such relocation will not trigger a termination of this Agreement nor a right to receive the Severance Allowance

pursuant to Section 6.4.2 hereof.

SECTION VI

Termination

6.1 Compensation and Benefits Upon Termination. This Agreement may be terminated prior to the expiration of the initial term or any renewal term by any of the following events:

(a) mutual written agreement expressed in a single document signed by both ANACOMP and EMPLOYEE;

(b) voluntary written resignation by EMPLOYEE;

(c) death of EMPLOYEE;

(d) written notice of termination without cause as defined in Section 6.2;

(e) written notice of termination with cause as defined in Section 6.3; or

(f) the occurrence of any of the events specified in Section 6.4.1, which EMPLOYEE elects to treat as a termination under Section 6.4.2.

Upon termination for any of the foregoing reasons, EMPLOYEE shall continue to render his services and shall be paid his regular compensation and benefits up to the date of termination. If this Agreement is terminated under Sections 6.1(b), 6.1(c) or 6.1(e), no Severance Allowance (as defined in Section 2.2) shall be paid to EMPLOYEE (except, with respect to any termination pursuant to Section 6.1(e), as otherwise provided in Section 6.3). If this Agreement is terminated under Sections 6.1(a), 6.1(d) or 6.1(f), then ANACOMP shall pay to EMPLOYEE the Severance Allowance. This Severance Allowance is in addition to the regular compensation and benefits which EMPLOYEE shall receive up to the date of termination. In the event of such termination, this Agreement shall be deemed terminated for all purposes except to the extent otherwise herein provided.

6.2 Termination Without Cause. If EMPLOYEE is unable, as determined in good faith by ANACOMP's Board of Directors, to perform EMPLOYEE's assigned duties on a full-time basis for any continuous period of 120 days or a total of 180 days in any 12-month period, or if ANACOMP otherwise concludes EMPLOYEE's services are no longer required, this Agreement may be terminated without cause by giving EMPLOYEE written notice thereof. The noninsurability of EMPLOYEE, either present or future, does not constitute grounds for termination under this or any other section of the Agreement. If EMPLOYEE is terminated under this section, ANACOMP shall pay EMPLOYEE the compensation, benefits and Severance Allowance provided in Section 6.1 above.

6.3 Termination With Cause.

6.3.1 ANACOMP may immediately terminate this Agreement at any time with cause upon written notice to the EMPLOYEE specifying the cause and effective date of termination. As used in this section, "cause" shall mean only the following:

(i) Inability of EMPLOYEE, as determined by ANACOMP, to perform EMPLOYEE's assigned duties on a full-time basis for any continuous period of one hundred twenty (120) days or a total of one hundred eighty (180) days in any twelve (12) month period, which period shall commence on the initial date of this contract and every anniversary date thereof.

(ii) The willful and continued failure by EMPLOYEE substantially to perform his duties and obligations or the willful engagement by EMPLOYEE in misconduct which is materially injurious to ANACOMP, monetarily or otherwise. For purposes of this subsection, no act or failure to act on EMPLOYEE's part shall be considered "willful" unless done or omitted to be done by EMPLOYEE in bad faith and without reasonable belief that his action or omission was in the best interests of ANACOMP.

6.3.2 Employee agrees that in the event written notice of termination is given under this Section 6.3, the EMPLOYEE agrees to treat the contents of said notice as privileged and EMPLOYEE shall have no action against ANACOMP or any of its officers, agents or employees due to the contents of said notice unless the contents are intentionally false and malicious. If EMPLOYEE is terminated under this Section 6.3, he shall receive no Severance Allowance at the time of such termination. If EMPLOYEE is given notice of termination under this Section 6.3 and it is later established that no "cause" existed, EMPLOYEE shall be entitled to all compensation, benefits and allowances due him for the period following such alleged termination and through the date of such determination and shall be entitled to the Severance Allowance, plus legal interest from the date of termination and all reasonable attorneys' fees incurred by EMPLOYEE in contesting the notice of termination.

6.4 Demotion, Transfer or Reduction in Compensation, Merger, Transfer of Assets, Change in Control or Business Discontinuation.

6.4.1 Demotion, Transfer, or Reduction in Compensation. of the following takes place:

If any

(1) EMPLOYEE is demoted, including for these purposes (i) any change in the title or duties described in Addendum I hereto, or (ii) any significant reduction or change by ANACOMP in the functions, duties or responsibilities of EMPLOYEE under this Agreement, except as provided in Section V hereof,

(2) a transfer of EMPLOYEE to another location outside of Metropolitan Indianapolis not agreed to in writing by EMPLOYEE, except as provided in Section V hereof, or

(3) any reduction in annual compensation (but not including a reduction in

the incentive bonus received by EMPLOYEE resulting from a decrease in Pre-Tax Income earned by ANACOMP for the relevant period), except as provided in Section V hereof,

EMPLOYEE may, in his sole discretion, elect to treat any such occurrence as a termination of this Agreement by giving written notice of such election to ANACOMP, entitling EMPLOYEE to payment of the compensation, benefits and Severance Allowance provided in Section 6.1 above. In the event ANACOMP disputes any election made by EMPLOYEE pursuant to this Section 6.4.1, ANACOMP shall notify EMPLOYEE in writing of such dispute within ten (10) days of receiving EMPLOYEE's written election. If ANACOMP does not so notify EMPLOYEE within the ten (10) day period, ANACOMP shall be deemed to have accepted EMPLOYEE's election and shall pay all compensation, benefits and Severance Allowance provided in Section 6.1 above.

6.4.2 Merger, Transfer of Assets, Change in Control or Business Discontinuation. In the event of any:

(a) merger or consolidation where ANACOMP is not the consolidated or surviving company and the surviving or resulting company does not expressly agree to be bound by and have the benefits of the provisions of this Agreement, or

(b) transfer of all or substantially all of the assets of ANACOMP and the transferee of ANACOMP's assets does not expressly agree to be bound by and have the benefits of the provisions of this Agreement, or

(c) change in control of ANACOMP of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the day thereof (the "Exchange Act"), provided that, without limitation, such a change in control shall be deemed to have occurred if: (i) any person or persons acting in concert (as such term is used in Section 13(d) and 14(d) (2) of the Exchange Act) is or becomes the beneficial holder directly or indirectly of securities of ANACOMP representing 25% or more of the combined voting power of ANACOMP's then outstanding securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority thereof,

unless the election or nomination for election by ANACOMP's shareholders of each new director was approved by a vote of at least 2/3 of the directors who were directors at the beginning of such period; or (iii) transfer of all or substantially all of the stock of ANACOMP and the transferee of ANACOMP's stock does not expressly agree to be bound by and have the benefits of the provisions of this Agreement, or

(d) discontinuation of the business by ANACOMP,

then (i) EMPLOYEE may, in his sole discretion, elect to treat any such occurrence as a termination of this Agreement by giving written notice of such election and immediate termination of his employment to ANACOMP, and (ii)

ANACOMP shall pay EMPLOYEE within thirty (30) days of EMPLOYEE's election and termination of employment a payment equal to the Severance Allowance. This Severance Allowance shall be in addition to the regular compensation and benefits that EMPLOYEE is entitled to receive up to the date EMPLOYEE's employment with ANACOMP terminates. This Section 6.4.2 shall be of no effect if changes to ANACOMP's Board of Directors and outstanding securities occur as a result of ANACOMP's Chapter 11 bankruptcy filing of January 5, 1996.

6.5 Return of Company Property. EMPLOYEE agrees to return all property of ANACOMP, including but not limited to, details of equipment, prices, specifications, programs, customer and prospective customer lists and any other proprietary data or objects acquired through the EMPLOYEE's employment with ANACOMP, within seven (7) days after termination of employment, regardless of the reason therefor.

6.6 Waiver of Claims. All Severance Allowance payments made by ANACOMP to EMPLOYEE pursuant to Section II hereof or this Section VI shall be in full and complete payment of any and all claims that EMPLOYEE may have against ANACOMP regarding his employment or the termination thereof, and EMPLOYEE hereby expressly waives all rights that he may have to any other payments or to bring any other claims based upon his employment or the termination thereof. Except for the qualification with respect to employee benefits described in Section II above, all Severance Allowance payments due from ANACOMP to EMPLOYEE under this Agreement are absolute, and shall not be diminished or otherwise affected by virtue of Employee's securing alternative employment.

SECTION VII

Restrictive Covenant and Non-Competition

Confidential Information

7.1 Non-Competition. EMPLOYEE and ANACOMP shall enter into the "Confidentiality, Non-Competition and Non-Disclosure Agreement" attached hereto as Addendum III. In the event of any conflict between the terms of this Agreement and such Non-Disclosure Agreement, this Agreement shall govern. If EMPLOYEE violates such Non-Disclosure Agreement, ANACOMP shall have the right to stop all termination payments due under Sections II and/or VI hereof, which have not yet been fully paid to EMPLOYEE.

The provisions of this Section shall not prevent EMPLOYEE from complying with the terms of this Employment Agreement with ANACOMP nor from owning any shares of stock of any competitor of ANACOMP so long as such-shares are regularly traded on a recognized security exchange or are listed for trade by NASDAQ in the over-the-counter Market.

SECTION VIII

Warranties and Representations

8.1 EMPLOYEE hereby warrants and represents as follows:

(1) That the execution of this Agreement and the discharge of employee's obligations hereunder will not breach or conflict with any other contract, agreement or understanding between EMPLOYEE and any other party or parties.

(2) That EMPLOYEE has ideas, information and know-how relating to the type of business conducted by ANACOMP and employee's disclosure of such ideas, information and know-how to ANACOMP will not conflict with or violate the rights of any third party or parties with respect thereto.

SECTION IX Remedies

9.1 The parties agree that the remedy for breach of this Agreement shall include actions in equity for injunctive relief as well as money damages. The remedies given to or reserved by ANACOMP hereunder shall be cumulative and not exclusive of any other remedy available under law.

SECTION X

No Waiver

10.1 The failure of EMPLOYER to terminate this Agreement for the breach of any condition or covenant herein by the EMPLOYEE shall not affect EMPLOYER's right to terminate for subsequent breaches of the same or other conditions or covenants. The failure of either party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed as a waiver of such provisions or of the right of the party thereafter to enforce each and every such provision.

ARTICLE XI

Benefit

11.1 This Agreement shall bind, benefit, and be enforceable by ANACOMP, its successors and assigns, and by EMPLOYEE, EMPLOYEE's heirs, executors, administrators, and legal representatives.

ARTICLE XII

Severability

12.1 Should any provision of this Agreement not be enforceable in any jurisdiction, the remainder of the Agreement shall not be affected thereby.

ARTICLE XIII Survival 13.1 The obligations contained in Sections II, VI, and VII shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the day, month and year stated on the cover page of this Agreement, which Agreement shall be effective only upon approval by ANACOMP, INC., as evidenced by the authorized signature of an officer of ANACOMP

below.

APPROVED BY:

ANACOMP, INC.

EMPLOYEE:

Donald L. Viles

ADDENDUM 1

TO

EMPLOYMENT AGREEMENT DATED

BETWEEN

ANACOMP, INC. ("ANACOMP")

DONALD L. VILES (EMPLOYEE)

Scope of Employment

ANACOMP employs the EMPLOYEE in the capacity of Executive Vice President and Chief Financial Officer.

Base Salary

For all services rendered by EMPLOYEE under this Agreement, EMPLOYEE shall receive a Base Salary of \$168,000 per year beginning February 15, 1996. Base Salary will be reviewed at the beginning of each fiscal year.

Incentive Compensation

Bonus

In addition to Base Salary, EMPLOYEE shall receive a maximum annual bonus of \$72,000 beginning February 15, 1996, provided that certain quotas are met by ANACOMP. Such bonus shall be paid as follows: \$10,800 shall be paid monthly against Company revenue goals; \$25,200 shall also be paid monthly against Company net profit goals; and \$36,000 shall be paid at year-end if ANACOMP meets its EBIT goal. The annual bonus and quotas shall be established at the beginning of each fiscal year. The bonus shall be more particularly described in EMPLOYEE's Compensation Plan.

ANACOMP, INC.

EMPLOYEE

ADDENDUM I I

Don Viles Performance Appraisal

Strength

Very intellectual

Honest

High values

Financial reporting rules and regulations

Anacomp experience and history Accounting principles Work ethic and loyalty

Focused and thorough Meets deadlines

Need For Improvement

Accessibility

Sometimes fails to see the "big picture"

Communication

Organizational skills

Delegation and people management

I believe that for Don to carry out Anacomp's future strategies as chief financial officer he will require skills and behavior patterns to accomplish specific objectives such as the following:

A. Leadership Skills

- 1) Achieve results through support from others.
- 2) Develop and implement new programs and initiatives that contribute to Company goals and profitability.
- 3) Maintain and improve morale and enthusiasm in area of responsibility.

B. Managerial Skills

- 1) Improve processes to gain maximum effectiveness.
- 2) Involve others in decision making and problem solving.
- 3) Identify and solve communication problems.
- 4) Improve ability to work both from a pragmatic as well as big picture level.

C. Personnel Development

- 1) Become accessible and more responsive to personnel especially Chief Executive Officer.
- 2) Promote team approach.
- 3) Enhance staff's ability to perform on their own.

D. Specific Objectives

- 1) Develop new organization staffed with effective professionals.

The new organization is needed to support our changing environment: Revitalize and improve the treasury functions especially cash reporting,

budgeting, analysis and cash management including the hiring of an outside Vice President and Treasurer.

- Hire or promote a strong domestic controller.
- Increase internal audit functions.
- Address European organization structure.

ADDENDUM III

CONFIDENTIALITY, NON-COMPETITION AND NON-DISCLOSURE AGREEMENT

In consideration of the employment or continued employment of Employee by Anacomp, Inc. and its successors, assigns, subsidiaries, or duly authorized representatives (hereinafter collectively referred to as "Anacomp") and of the award of an option for the purchase of 25,000 shares of Anacomp, Inc. Common Stock, par value \$.01 per share, at ~ price of \$4.63 (price to be set on the date of award by Anacomp's Board of Directors), Employee hereby agrees as follows:

1. Confidentiality and Trade Secrets. The Employee recognizes and acknowledges that during the course of his/her employment, he/she will have access to and become acquainted with confidential, trade secret and proprietary information about Anacomp's businesses and customers (hereinafter collectively referred to as the "Protected Information"). The parties hereto recognize that the Protected Information available to Employee may pertain both to customers and accounts handled by Employee personally as well as accounts with which Employee is not personally involved. The parties agree that all Protected Information constitutes a trade secret of Anacomp. Protected Information may include, but is not limited to, the names, addresses, and requirements of any customer or prospective customer of Anacomp; the terms (including price terms) of contractual relations with such customers; special requirements of such customers; the identities of individual contacts at such customers; and any other information relating to Anacomp's research, operations, business relationships, engineering data or results, specifications, concepts, methods, processes, rates or schedules, vendor information, products or services (including prices, costs, sales or content), financial information or measures, business methods, future business plans, data bases, computer programs, designs, models, operating procedures, and knowledge of the organization. The Employee recognizes and acknowledges that all of the Protected Information is valuable, special and essential to the successful and effective conduct of Anacomp's business. Therefore, the Employee shall not, during his/her employment with Anacomp or at any time thereafter, regardless of the reasons for leaving that employment, use, disclose or communicate, directly or indirectly, any Protected Information to any third party for any reason or purpose whatsoever, except as required in the course of his/her employment with Ariacomp. Further, upon the termination of his/her employment with Anacomp, for any reason whatsoever, Employee shall promptly return any and all copies of any written material, documents, computer hardware and software, tools and equipment belonging to Anacomp or relating to the business of Anacomp in his/her possession.

2. Non-Competition.

2.1 Non-Competition While an Employee. While an employee of Anacomp, Employee agrees not to compete in any manner, either directly or indirectly as an employee, consultant, investor or owner, whether for compensation or otherwise, with Anacomp, or to assist any other person or entity to compete with Anacomp. Further, while an employee of Anacomp, Employee agrees not to engage in any other employment without the prior written permission of Anacomp.

2.2 Non-Competition After Termination. After the termination, for any reason or cause, of Employee's employment with Anacomp, Employee agrees that 'for a period of one (1) year following such termination, he/she will not compete in any manner, either directly or indirectly as an employee, consultant, investor or owner, whether for compensation or otherwise, with Anacomp by developing, marketing, selling or maintaining, or assisting others to develop, market, sell or maintain, products or services which are competitive with the products or services of Anacomp or with any Protected Information of Anacomp, currently existing or planned for the future, which Employee learns of or develops while an employee of Anacomp. Employee further agrees that for the same period following such termination, for any reason, he/she will not accept employment or have any other relationship (including, without limitation, to own, manage, operate, control, be employed by, or participate) with any entity which is competitive with the products or services of Anacomp currently existing or which are known by Employee to be planned for the future. Products and services which are competitive with the products and services of Anacomp include but are not limited to: Micrographics Products (computer output to microfilm-COM-equipment and software, cameras and film, processors, duplicators, retrieval and display equipment and software, computer aided retrieval-CAR-systems, readers, reader printers, other micrographics equipment, micrographics equipment maintenance, micrographics consumable supplies and accessories, records management software); Output Services (computer output to microfilm-COM, source document microfilming, output of data to compact disk, laser printing, conversion of paper and film to electronic images, micrographic or electronic imaging system design, consulting and education, system implementation and integration); Electronic Image Management Products (hardware, software, magnetics products including tapes, tape drives and optical media supplies, maintenance of electronic imaging equipment); and Electronic Image Management Services (conversion of computer generated data to optical or laser disk, COLD, electronic document imaging and workflow, conversion of paper documents to electronic images, system design consulting and education, system implementation and integration, conversion of microfilm to electronic images); and Archival Services (storage, management and retrieval of all forms of customer information and business records, including but not limited to paper, microfiche, magnetic media and digital storage media). The foregoing restrictions shall apply to all geographical areas where Employee performed services for Anacomp during the two-year period prior to his/her termination, including areas for which Employee had supervisory authority.

2.3 Reasonableness of Post-Termination Non-Compete. Employee acknowledges that this Section 2.2 is enforceable and effective because of his/her access to and use of Protected Information. Employee hereby represents and acknowledges

that: (a) the restrictions on the activities in which he/she may engage upon termination of his/her employment with Anacomp are reasonable and, despite such restrictions, Employee will be able to earn his/her livelihood following any such termination; (b) the locations designated are reasonable because they are limited to the locations in which Employee performed services for Anacomp; and (c) the period of time designated is reasonable because it extends only for one year following the termination of his/her employment with Anacomp.

3. Non-Solicitation.

3.1 Non-Solicitation of Employees. During the term of his/her employment at Anacomp and for two (2) years following the termination for any reason of such employment, Employee agrees, either on his/her own behalf or on behalf of any other person or entity, directly or indirectly, not to hire, solicit, or encourage to leave the employ of Anacomp any person who is then an employee of Anacomp. The foregoing restrictions shall apply to employees located in all geographical areas where Employee performed services for Anacomp during the two-year period prior to his/her termination, including areas for which Employee had supervisory authority.

3.2 Non-Solicitation of Customers. Because of Employee's access to Protected Information of Anacomp, Employee agrees that, during the term of his/her employment at Anacomp and for two (2) years following the termination for any reason of such employment, he/she will not, directly or indirectly, in connection with the products and services offered by Anacomp and those products and services which are competitive with the products and services of Anacomp (as set forth in Section 2.2 above): (a) solicit, attempt to obtain, or in any way transact business with any customers which were customers of Anacomp during his/her employment or at the time of his/her termination; (b) aid or assist any other party in the solicitation of any such customers; or (c) interfere with Anacomp's relationships with ' any of its customers by soliciting such customers or inducing them to discontinue their relationships with Anacomp. The foregoing restrictions shall apply to customers located in all geographical areas where Employee performed services for Anacomp during the two-year period prior to his/her termination, including areas for which Employee had supervisory authority.

4. Remedies. Employee acknowledges that compliance with Sections 1, 2 and 3 of this Agreement is necessary to protect the business and good will of Anacomp and that a breach of those sections will irreparably and continually damage Anacomp for which money damages may not be adequate. Therefore, Employee agrees that, in the event he/she breaches or threatens to breach any of these Sections, Anacomp shall be entitled to both a preliminary or permanent injunction in order to prevent the continuation of such harm and money damages insofar as they can be determined. Nothing in this Agreement, however, shall be construed to prohibit Anacomp from also pursuing any other remedy, the parties having agreed that all remedies shall be cumulative.

5. Inventions. Employee agrees that all inventions, improvements, discoveries, systems, techniques, ideas, processes, programs, and other things of value made or conceived in whole or in part by Employee while an employee of

Anacomp shall be and remain the sole and exclusive property of Anacomp, and he/she will disclose all such things of value to Anacomp and will cooperate with Anacomp to insure that the ownership by Anacomp of such things of value is protected. Nothing in this Section is meant to apply to an invention for which no equipment, supplies, facility or trade secret information of Anacomp was used, which was developed entirely on Employee's own time, and which does not relate to Anacomp's business, research, development or from any work performed by Employee for Anacomp.

6. Employment. This Agreement does not confer upon Employee any rights to continue in the employ of Anacomp or affect in any way Anacomp's right to terminate his/her employment at any time.

7. Severability. If any provision or clause of this Agreement, or portion thereof, shall be held by any court or other tribunal of competent jurisdiction to be illegal, void or unenforceable in such jurisdiction, the remainder of such provisions shall not thereby be affected and shall be given full effect, without regard to the invalid portion. It is the intention of the parties that, if any court construes any provision or clause of this Agreement, or any portion thereof, to be illegal, void or unenforceable because of the duration of such provision or the area or matter covered thereby, such court shall reduce the duration, area or matter of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced.

8. Binding Effect. The rights and obligations of this Agreement shall inure to and be binding upon the parties and their respective heirs, successors and assigns. ~

9. Attorneys' Fees. In the event of any dispute, proceeding or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the interpretation or breach thereof, the prevailing party shall be entitled to recover from the losing party its reasonable expenses, attorneys' fees, expert fees, and costs incurred therein or in the enforcement or collection of any judgment or award rendered therein.

10. No Waiver. Anacomp's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent Anacomp thereafter from enforcing each and every provision of this Agreement.

11. Entire Agreement. This Agreement represents the entire agreement between Employee and Anacomp, with respect to the subject matter hereof, superseding all previous oral and written communications, representations, understandings or agreements.

12. Employee's Understanding. Employee represents and warrants that he/she has read each and every term of this Agreement and understands the serious duties and obligations imposed upon Employee thereby. Employee further represents and warrants that he/she has had full and ample opportunity to question Anacomp about this Agreement and each of its terms and to consult an attorney regarding this Agreement and each of its terms. Employee represents that he/she is free to enter this Agreement and to perform each of its terms and

covenants. Employee represents that he/she is not restricted or prohibited, contractually or otherwise, from entering into and performing this Agreement, and that his or her execution and performance of this Agreement is not a violation or breach of any other agreement between Employee and any other person or entity.

Dated: October 7, 1996

ANACOMP, INC.

By: Eric K. Whinston

Its: Vice President

Employee - Donald L. Viles

Current Position - Chief Financial Officer

Current Location: Indianapolis

Social Security Number:

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EXHIBIT 11

CALCULATIONS OF EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE AND
EARNINGS (LOSS) PER COMMON SHARE ASSUMING FULL DILUTION

(Dollars in thousands, except per share amounts)

Four Months Ended September 30, 1996	Common and Common Equivalent

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Net loss available to common stockholders	\$ (22,009)
Weighted average number of shares outstanding	10,034
Loss per common share	\$(2.19)

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Due to the implementation of the Reorganization and Fresh Start Reporting, per share data for the Predecessor Company has been excluded because the information is not comparable.

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EXHIBIT 21
SIGNIFICANT SUBSIDIARIES OF ANACOMP, INC.

Name	State or Country of Incorporation	Voting Securities Owned *
<S>	<C>	<C>
Anacomp, GmbH.....	Germany	100%
Anacomp, Ltd.	United Kingdom	100%
Anacomp, S.A.....	France	100%
Xidex (U.K.) Ltd..	United Kingdom	100%

* Directly or indirectly

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ANACOMP, INC.'S SEPTEMBER 30, 1996 FORM 10-K ANNUAL REPORT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. THE INCOME STATEMENT DATA IS THE COMBINATION OF RESULTS FOR THE EIGHT MONTHS ENDED MAY 31, 1996 AND FOR THE FOUR MONTHS ENDED SEPTEMBER 30, 1996. EPS DATA IS FOR ONLY THE FOUR MONTH PERIOD ENDED SEPTEMBER 30, 1996

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